This is a preliminary prospectus relating to these securities, a copy of which has been filed with the securities regulatory authorities in the provinces of British Columbia, Alberta, Ontario and Quebec but which has not yet become final for the purpose of a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted in such jurisdictions prior to the time a receipt for the final prospectus is obtained from the appropriate securities commissions or similar regulatory authorities.

PRELIMINARY PROSPECTUS DATED DECEMBER 22, 2000

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons so permitted to sell such securities. No securities commission or other similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities have not been, and will not be registered under the United States Securities Act of 1933 or the securities laws of any state of the United States and, subject to certain exceptions, may not be offered or sold in the United States. These securities are being issued to holders of special warrants of Concert Industries Ltd. in connection with the exercise of such special warrants and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States.

NEW ISSUE **December 22, 2000**

CONCERT INDUSTRIES LTD.

$18,150,000

3,300,000 COMMON SHARES

(Issuable upon the exercise of previously issued Special Warrants)

This prospectus qualifies the distribution of 3,300,000 common shares (the Common Shares”) in the capital of Concert Industries Ltd. (the “Company” or “Concert”) to be issued without additional payment upon the exercise or deemed exercise of 3,300,000 special warrants (the “Special Warrants”). The Company issued 3,175,000 Special Warrants on November 14, 2000 and 125,000 Special Warrants on December 12, 2000 at a price of $5.50 per Special Warrant under the terms of an agency agreement (the “Agency Agreement”) dated November 14, 2000 among Loewen, Ondaatje, McCutcheon Limited, National Bank Financial Inc. (collectively, the “Agents”) and the Company. The Special Warrants are governed by a special warrant indenture (the “Special Warrant Indenture”) dated November 14, 2000 among Montreal Trust Company of Canada (the “Trustee”) and the Company. The Special Warrants were issued under exemptions from the prospectus requirements of applicable securities legislation.

The gross proceeds from the sale of the Special Warrants were $18,150,000. Each Special Warrant will be exercisable for no additional consideration into one Common Share. Under the terms of the Special Warrant Indenture, if final receipts for this prospectus are not obtained from the securities regulatory authorities of British Columbia, Alberta, Ontario and Québec on or before 5:00 p.m. (Vancouver time) on February 12, 2001, each Special Warrant will be exercisable, without payment of additional consideration, into 1.1 Common Shares (in lieu of one (1) Common Share).

	Price to Public	Commission to Agents	Net Proceeds to Company (2)
Per Special Warrant:	$5.50	$0.33 (1)	$5.17
Total:	$18,150,000	$1,089,000	$17,061,000

(1) Under the terms of the Agency Agreement, the Agents were paid a commission equal to 6.0% (the “Agents’ Commission”) of the gross proceeds from the sale of the Special Warrants. The Company also granted to the Agents, as additional consideration for their services in selling the Special Warrants, special options (the “Agents’ Special Options”) entitling the Agents to acquire, for no additional consideration 165,000 options (the “Agents’ Options”). Each Agents’ Option will permit the holder to acquire one Common Share at a price of $5.50 at any time on or before December 31, 2001. This prospectus hereby qualifies the distribution of the Agents’ Options which will be issued by the Company on the exercise of the Agents’ Special Options.

(2) After deducting the Agents’ Commission but before deducting the estimated expenses of the issue of the Special Warrants and the Common Shares issuable upon the exercise or deemed exercise of the Special Warrants of approximately $150,000, which will be paid by the Company out of the net proceeds from the sale of the Special Warrants. The Company will not receive any cash proceeds from the issue of the Common Shares to be distributed upon the exercise or deemed exercise of the Special Warrants.

The Special Warrants may be exercised (the "Exercise Period") on or before 4:30 p.m. (Vancouver time) (the "Expiry Time") on the earlier of (i) the fifth business day after the day on which the last of the receipts are issued for a (final) prospectus by the securities regulatory authorities in British Columbia, Alberta, Ontario and Québec (the "Final Receipt Date"); and (ii) November 14, 2001 (the "Expiry Date"). Any Special Warrant not exercised at or before the Expiry Time will be deemed to have been exercised immediately before the Expiry Time without any further action on the part of the holder or the Company. See "Plan of Distribution". **Common Shares issued to holders of Special Warrants in any province in which a receipt for this prospectus has not been issued may be subject to resale restrictions pursuant to applicable securities legislation.**

The price of the Special Warrants was determined by negotiation between the Company and the Agents. The Common Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE") under the symbol "CNG". On October 12, 2000, the day before the Company obtained price protection from the TSE for the distribution of the Special Warrants, the closing price of the Common Shares on the TSE was $5.50. The TSE has approved the listing of the Common Shares issuable upon the exercise or deemed exercise of the Special Warrants and the Agents' Options. No commission or fee will be payable by the Company in connection with the issuance of Common Shares pursuant to the exercise or deemed exercise of the Special Warrants. There is currently no market for the Special Warrants, and none is expected to develop.

One of the Agents, National Bank Financial Inc., is a wholly-owned subsidiary of a Canadian chartered bank (the "Lead Bank"). The Company and its subsidiaries are indebted to the Lead Bank under various credit facilities. Under applicable securities legislation, the Company is a "connected issuer" of National Bank Financial Inc. See "Plan of Distribution" and "Our Business" – Gatineau, Québec, Canada".

An investment in the Common Shares should be considered speculative due to the nature of the Company's business. The risk factors outlined in this prospectus should be carefully reviewed and considered by prospective purchasers in connection with an investment in the Common Shares. See "Risk Factors".

The portion of the issue price of each Common Share issuable on the exercise or deemed exercise of a Special Warrant exceeds the consolidated net tangible book value per Common Share by $3.26 as at September 30, 2000, after giving effect to the exercise or deemed exercise of the Special Warrants representing a dilution factor of 59.27%. See "Dilution".

Definitive certificates representing the Common Shares issuable upon the exercise or deemed exercise of the Special Warrants will be available for delivery upon the exercise or deemed exercise of the Special Warrants.

Certain legal matters relating to the issue and sale of the Common Shares qualified by this prospectus have been and will be passed upon on behalf of the Company by Campney & Murphy and on behalf of the Agents by Stikeman Elliott. See "Legal Matters".

TABLE OF CONTENTS

Statistical information and other data relating to the nonwoven and air-laid markets included in this prospectus are derived from recognized industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations, including John R. Starr, Inc. Comprehensive and timely data regarding the nonwoven and air-laid markets is difficult to obtain as most industry participants keep such data confidential.

EXCHANGE RATE DATA

All dollar amounts herein are stated in Canadian dollars except where otherwise indicated. The following table reflects the rate of exchange for Canadian dollar per German Deutsche Mark ("DM") and per U.S. dollar at the end of the following periods and the average rate of exchange during such periods, based on the Bank of Canada noon spot rate of exchange:

	9 months ended September 30,	**12 months ended December 31,**			**10 months ended December 31,**	**12 months ended February 29,**
	2000	**1999**	**1998**	**1997**	**1996**	**1996**
DM rate at end of period:	0.6813	0.7427	0.9184	0.7944	0.8900	0.9334
Average rate for period:	0.7086	0.8102	0.8450	0.7994	0.9006	0.9602
U.S. dollar rate at end of period:	1.5035	1.4433	1.5333	1.4305	1.3696	1.3625
Average rate for period:	1.4715	1.4858	1.4831	1.4207	1.3628	1.3726

On November 30, 2000, the Bank of Canada noon spot rate of exchange was DM 1.0 = Cdn.$0.6826 and the Bank of Canada noon spot rate of exchange was U.S. $1.00 = Cdn. $1.5356.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information, including "Risk Factors" and the consolidated financial statements and notes thereto, appearing elsewhere in this prospectus. Capitalized terms appearing in this summary and not otherwise defined have the respective meanings ascribed thereto elsewhere in this prospectus.

The Offering

Issue: 3,300,000 Common Shares issuable upon the exercise or deemed exercise of 3,300,000 Special Warrants previously issued by the Company at a price of $5.50 per Special Warrant.

Special Warrants: A total of 3,300,000 Special Warrants (the "Offering") were issued by the Company at a price of $5.50 per Special Warrant pursuant to the terms of the Special Warrant Indenture. Each Special Warrant is, subject to adjustment in certain circumstances, exchangeable for no additional consideration upon exercise or deemed exercise for one Common Share. As additional consideration for their services in selling the Special Warrants, the Agents received Agents' Special Options exercisable for 165,000 Agents' Options. Each Agents' Option permits the holder to purchase one Common Share at a price of $5.50 per share at any time on or before December 31, 2001. This prospectus qualifies the distribution of the Common Shares to be issued on the exercise or deemed exercise of the Special Warrants and the Agents' Options to be issued on the exercise of the Agents' Special Options.

The Special Warrants may be exercised during the Exercise Period which expires at the Expiry Time on the earlier of (i) the fifth business day after the Final Receipt Date and (ii) the Expiry Date.

The Company issued 3,175,000 Special Warrants on November 14, 2000 and 125,000 Special Warrants on December 12, 2000. The gross proceeds from the issue and sale of 3,175,000 Special Warrants on November 14, 2000 of $17,462,500 (less $3,000,000 retained by the Company and $1,071,045.68 in Agents' Commission and expenses incurred to November 14, 2000) were released to the Trustee on November 14, 2000. The gross proceeds from the issue and sale of 125,000 Special Warrants on December 12, 2000 of $687,500 (less $41,921.41 in Agents' Commission and expenses incurred from November 15, 2000 to December 12, 2000) were released to the Trustee on December 12, 2000. The Trustee is holding such net proceeds in escrow pursuant to the terms of the Special Warrant Indenture.

Special Warrants that remain unexercised at the Expiry Time will be deemed to have been exercised by the holder thereof immediately before the Expiry Time. See "Plan of Distribution".

Prospectus Qualification: If the Final Receipt Date does not occur on or before February 12, 2001, each holder of Special Warrants will be entitled upon the exercise or deemed exercise of the Special Warrants and without payment of any additional consideration to receive 1.1 Common Shares per Special Warrant. A holder of Special Warrants will not be entitled to the return of his or her subscription proceeds except in the circumstances set out under "Statutory Rights of Rescission and Withdrawal".

Use of Proceeds: The net proceeds of $17,061,000 from the sale of the Special Warrants will be used to:

(a)	pay the expenses of the Offering:	$150,000
(b)	purchase an 18.24% or greater interest in Concert GmbH, a 55% owned subsidiary of the Company, from GEA Process Technology GmbH ("GEA"):	$10,000,000
(c)	advance funds to Concert GmbH to repay the GEA shareholder account:	$3,000,000
(d)	general corporate purposes:	$3,911,000
	See "Use of Proceeds" and "Description of Business".	$17,061,000

We are currently negotiating with GEA for the purchase of an 18.24% or greater interest in Concert GmbH (the "Proposed Acquisition") under our call option rights with GEA. See "Our Business – Manufacturing Facilities – Falkenhagen, Brandenburg, Germany". There can be no assurances that the Proposed Acquisition will close on commercially reasonable terms, or at all.

If we fail to complete the Proposed Acquisition then we will review our options regarding the use of proceeds. We expect that in such case, the proceeds allocated to the Proposed Acquisition may be used for additional expansion of existing facilities, strategic acquisitions, to repay a portion of the Company's long-term debt and for general corporate purposes.

We will spend the funds available to us on the completion of this transaction to further our business objectives as set out in "Description of Business" and "Use of Proceeds". There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for us to achieve our business objectives.

Dividend Policy: We have not paid dividends in the past and we have no plans to pay dividends in the immediate future. We expect to retain any earnings to finance further growth and, when appropriate, retire debt. We have and expect to have restrictions on our ability to pay dividends imposed by our lenders. See "Dividend Record and Policy".

Risk Factors: An investment in Common Shares is subject to a number of risks including: Competition, Reliance on New Products, Management of Growth and Expansion, Expansion of North American Operations, Product Obsolescence, Cost Control, Reliance on Major Customers, Dependence on Key Suppliers, Leverage, Restrictions on Freedom to Practice, Costs of Raw Materials and Dilution. See "Risks Factors".

The Company

At Concert Industries Ltd. (the "Company" or "Concert"), we develop and manufacture pulp based air-laid nonwoven fabrics. Our North American plants are located in Thurso and Gatineau, Québec, Canada and in Charleston, South Carolina, United States. Our European plant is located in Falkenhagen, Brandenburg, Germany. Our fabrics are key components in a wide range of products, including feminine hygiene products, baby wipes, adult incontinence products, table top products, food pads, home care mops and wipes, disposable medical products and fuel filtration products.

Our plant in Thurso, Québec was built in 1993 and the annual capacity of the plant was increased in 1997 from 3,500 to 7,000 tonnes. In 1998, we opened our plant in Falkenhagen, Germany and entered into multi-year supply contracts with two large multi-national customers. In 1999, we installed a second production line in Falkenhagen. This production line began commercial production during the first quarter of 2000. With the expansion, the plant capacity increased from 10,000 to 28,000 tonnes annually.

In 1999, we engaged in discussions with a large multi-national customer for the supply of air-laid fabrics for feminine hygiene products. These discussions concluded with the execution of a multi-year supply contract. In order to supply the fabric required, and to meet the growing demand of our other customers, we are installing an M&J Fibretech A.S. production line in Gatineau, Québec. This 2.7 meter wide M&J production line has an estimated annual capacity of 18,000 tonnes. It will be installed in a new 310,000 square foot facility, the construction of which is near completion. Our 52.5% owned subsidiary, Concert Airlaid Ltd./Lteé. ("CAL") owns the building and will operate the M&J production line.

In 1998, we entered into a multi-year supply contract with a second large multi-national customer. The contract is for the supply of air-laid fabrics produced at our Thurso plant for use as the absorbent core for feminine hygiene products. Our products have been well received by the market and in 1999 this customer entered into a second multi-year supply contract for additional fabrics. In order to supply the fabric required, and to meet the increasing demand of our other customers, we are constructing a second air-laid production line in our Gatineau, Québec facility. This project consists of a 2.7 meter wide production line based on Dan-Webforming International A/S ("Dan-Web") with an estimated annual capacity of 20,000 tonnes. Concert Fabrication Ltd./Ltée. ("CFL"), our wholly-owned subsidiary will own this machine, which will be installed in a leased area of the new building built and owned by CAL.

The two new production lines are housed in a single facility for economic reasons. We expect that the new facility will have an annual capacity of approximately 38,000 tonnes. The multi-year supply contracts with the large multi-national customers are expected to account for approximately 45% to 50% of the capacity of the new facility. We anticipate that the new plant in Gatineau will commence operations in the second quarter of 2001.

In June, 2000, we acquired 100% of Airformed Composites, Inc. which is now called Concert ACI Inc. ("ACI"). ACI operates a leased 50,000 square foot facility that houses a 1.93 meter Dan Web line located in Charleston, South Carolina. This location provides access to potential customers in the Southern United States, Mexico, and South America. Once certain capital improvements have been completed, the plant will have an estimated rated capacity of 10,000 tonnes increasing our existing global rated capacity from 73,000 tonnes to 83,000 tonnes per annum.

Selected Consolidated Financial Information

The following tables set forth selected consolidated financial information, which have been derived from our consolidated financial statements contained in this prospectus. The tables should be read in conjunction with our consolidated financial statements and the related notes thereto and the "Management's Discussion and Analysis of Operating Results" included elsewhere in this prospectus.

Income Statement and Cash Flow Data

(in thousands, except per share data)

	9 Months ended September 30,		12 Months ended December 31,			10 Months ended December 31,	12 Months ended February 29,
	2000	1999	1999	1998	1997	1996(1)	1996
	(unaudited)						
Sales	$ 62,664	$ 32,848	$ 47,658	$ 12,672	$ 7,938	$ 6,063	$ 5,283
Cost of Sales	43,283	21,883	31,778	8,053	5,427	4,017	4,229
Gross Margin	19,381	10,965	15,881	4,619	2,511	2,046	1,054
Margin	30.9%	33.4%	33.3%	36.5%	31.6%	33.7%	20.0%
Selling, Marketing and Administration Expenses(2)	6,425	4,773	6,854	2,164	1,883	1,513	2,655
Gain or Settlement of Debt	-	-	-	-	-	116	-
Write Down of Investment	106	-	-	314	-	-	-
Foreign Currency Exchange Gain (loss)	136	157	178	204	(43)	-	-
EBITDA	12,986	6,349	9,205	2,345	585	649	(1,601)
Margin	20.7%	19.3%	19.3%	18.5%	7.4%	10.7%	(30.3%)
Depreciation and Amortisation	2,545	1,682	2,518	430	534	421	493
Interest	1,814	1,118	1,510	454	383	431	522
Non-Controlling Interest	1,013	(315)	(311)	-	-	-	-
Income Taxes	1,931	-	100				
Net Income (loss)	5,683	3,864	5,388	1,461	(332)	(203)	(2,616)
Margin	9.1%	11.8%	11.3%	11.5%	(4.2%)	(3.3%)	(49.5%)
Income (loss) per Common Share:							
Basic	$ 0.37	$ 0.42	$ 0.55	$ 0.18	$ (0.04)	$ (0.03)	$ (0.36)
Fully Diluted(2)	$ 0.25	$ 0.22	$ 0.30	$ 0.15	$ (0.04)	$ (0.03)	$ (0.36)
Number of Common Shares Outstanding at End of Period							
Basic(3)(4)	16,574	9,335	13,880	9,059	7,981	7,773	29,021
Fully Diluted(2)	26,257	17,484	22,063	17,098	10,491	10,606	32,493
Cash Generated from (used in)							
Operating Activities	$ 8,463	$ 4,350	$ 8,687	$ (1,246)	$ 634	$ 304	$ (2,261)
Net Capital Expenditures(5)	61,176	21,374	33,895	6,404	7,705	18,670	76

(1) During 1996 the Company changed its fiscal year end from February 29 to December 31, and consequently the financial results for the period ended December 31, 1996 are for a ten month period.
(2) Includes fixed manufacturing, product development and overhead expenses, administration expenses and selling and marketing expenses as per the financial statements.
(3) As at the date of this prospectus, there were stock options, convertible debentures, warrants and other agreements (including the Special Warrants and the Agents' Options) under which up to 12,433,841 Common Shares may be issued. See "Options to Purchase and Agreements to Issue Securities".
(4) As at November 30, 2000 there were 17,342,242 Common Shares of the Company issued and outstanding. Upon the successful completion of this Offering, a total of 20,642,242 Common Shares (20,807,242 Common Shares if the Agents' Options are exercised in full) will be issued and outstanding.
(5) Net of government grants received during the period.

Balance Sheet Data

(in thousands)

	As at September 30,	As at December 31,	
	2000	1999	1998
	(Unaudited)		
Cash and Cash Equivalents	$ 8,764	$ 15,961	$ 4,570
Working Capital	(5,670)	6,060	2,391
Total Assets	191,146	96,852	57,951
Long Term Debt(1)	76,896	28,683	20,583
Non-Controlling Interest	22,028	6,399	8,010
Shareholders' Equity	58,969	45,276	21,974

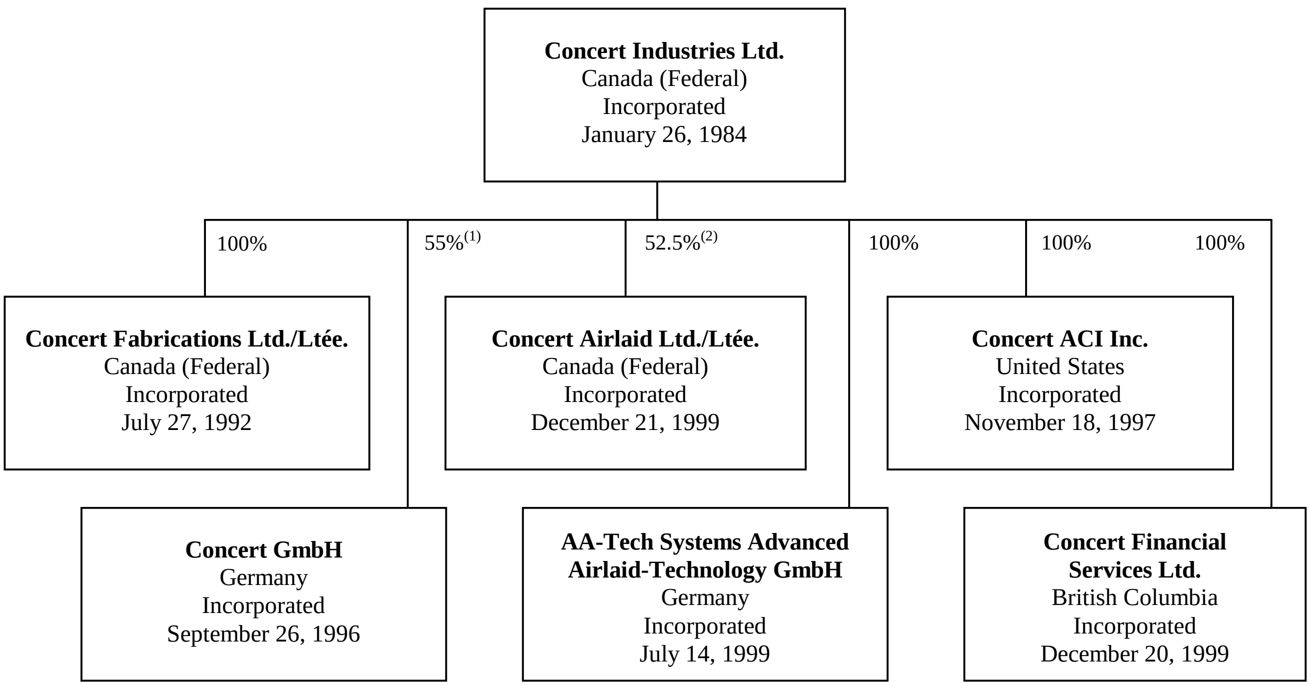
(1) Includes the current portion of the long term debt (see Note 6 to the consolidated financial statements) and construction payables and excludes shareholder loans.

THE COMPANY

Concert Industries Ltd. (the "Company" or "Concert") was incorporated by registration of its memorandum and articles under the *Company Act* (British Columbia) on January 26, 1984 under the name "Concert Resources Inc.". Our name changed from "Concert Resources Inc." to "Concert Industries Ltd." on September 30, 1987. On March 17, 1995, Concert continued under the *Canada Business Corporations Act*. We consolidated our share capital on a four to one basis effective as of July 26, 1996.

Our head and principal office is located at Suite 950, 1055 West Georgia Street, P.O. Box 11102, Vancouver, British Columbia, Canada, V6E 3P3 (telephone: (604) 681-1008). We also maintain offices at our plants in Canada in Thurso and Gatineau, Québec, in the United States in Charleston, South Carolina and in Germany in Falkenhagen, Brandenburg. Our registered and records office is our principal office noted above. See also "Our Business - Description of Offices".

We have a total of six subsidiaries. The particulars regarding our subsidiaries are as follows:



(1) Under an agreement with the Company, GEA Technology GmbH and Airlaid Produkt Beteiligungsgesellschaft mbH, own 24.9% and 20.1% of the shares of Concert GmbH, respectively. See "Our Business – Manufacturing Facilities - Falkenhagen, Brandenburg, Germany.

(2) Under a subscription agreement with SGF Rexfor Inc., 47.5% of the shares of Concert Airlaid Ltd./Ltée. were sold to SGF Rexfor Inc. to finance, in part, the M&J production line. See "Our Business – Manufacturing Facilities – Gatineau, Québec, Canada".

Our operations in Thurso, Québec, Canada are carried on through Concert Fabrication Ltée. ("CFL"). Our operations in Falkenhagen, Brandenburg, Germany are carried on through Concert GmbH and AA-Tech Systems Advanced Airlaid-Technology Systems GmbH. Our operations in Gatineau, Québec, Canada are carried on through Concert Airlaid Ltée. ("CAL"). Our operations in Charleston, South Carolina, United States are carried on through Concert ACI Inc. Concert Financial Services Ltd. is an inactive subsidiary. See "Our Business".

THE AIR-LAID FABRIC INDUSTRY

Overview

We develop and manufacture pulp-based air-laid fabrics. The fabrics have special performance characteristics and are used in a variety of consumer and industrial products. Air-laid fabrics compete against cloth, traditional wet-laid paper, thick fluff pulp pads and various synthetic nonwoven materials. Air-laid fabrics are, because of the manner in which they are made, typically classified as a type of nonwoven material.

Nonwoven Industry

A nonwoven is a material (other than paper or yarn) composed of an assembly of fibres or filaments held together in a random sheet by mechanical interlocking through fusing or bonding. Nonwovens are generally classified by the fibres used and the manner in which the web is formed or bonded. Nonwovens are used in a wide variety of consumer and industrial products in the hygienic, automotive, apparel, food preparation, aerospace and geotextile (roads, construction and landscaping) markets.

Modern nonwoven manufacturing began in the 1950's when carding was used to manipulate bulk cotton and wool into a cohesive web, which was used as a padded lining in various products. Since then a variety of manufacturing processes using various synthetic fibres have been developed to create materials with different specialty characteristics.

Nonwovens are produced primarily in North America, Western Europe and Japan. Different types of nonwoven materials will command different sales prices. Generally, nonwoven materials made from synthetic fibres will command higher prices than nonwoven materials made from natural materials.

Air-laid fabrics are used primarily in absorbent products and offer properties not typically offered by conventional wet-laid paper or synthetic nonwoven materials, such as cloth-like feel, softness and superior bulk, strength and absorbency. Recent advances in the production of air-laid fabrics include the ability to inject super-absorbent polymers and super-absorbent and/or bi-component fibres into the fabric creating fabrics with higher levels of absorbency. The improved performance characteristics of these fabrics permit products to be redesigned and new end-use products to be developed.

Air-laid Manufacturing Process

Air-laid fabrics are produced from a suspension of cellulose fibres in air. The Danish inventor Karl Kroyer developed the air-laid manufacturing process in the late 1950's. Commercial air-laid production did not begin until the 1970's when commercial production lines were first built. Under the Kroyer process, cellulose fibres (predominantly fluff pulp), purchased in roll form, are broken down into component fibres by hammermills. The fibres, which are suspended by pressurized air, are distributed through one or more forming heads to form a web on a moving forming wire. The web is then bonded and the fabric is dried in ovens. The dried fabric is then compressed by a calendering process, which determines the density of the finished fabric. Synthetic bonding fibres, absorbent powders or other fillers may be added before, within or between the forming heads. The addition of these materials imparts specific properties to the finished fabric. By varying the fibre type, fibre length, additives and speed of the moving forming wire, we can produce a variety of air-laid fabrics with different absorbent qualities, thickness and strengths, among other characteristics. Existing technology permits commercial production of air-laid fabrics with basis weights from 40 to 2,000 grams per square metre ("gsm"). Air-laid production offers advantages over the traditional wet-laid method due to its negligible need for water, greater production flexibility, lower capital costs and higher selling prices.

Latex or thermal bonding methods are generally used to bond the web. Latex bonding uses a liquid latex binder that is sprayed onto the formed web which is then cured in an oven. Latex bonded fabrics have a cloth-like look and feel and may be used in place of conventional tissue, cloth and synthetic woven fabrics. Thermal bonding involves the addition of synthetic, wood pulp or bi-component fibres to the web, which is then subjected to high temperatures to fuse the fibres to the other components in the web. A modified thermal bond air-laid process, with the addition of a small percentage of latex binder produces multi-bonded fabrics. In general, thermal and multi-bonded fabrics offer superior absorbency and softness compared to latex bonded fabrics and are suitable for use in redesigned and newly developed personal hygiene products which require ultra-thin, fast wicking absorbent cores.

A new air-laid bonding process, known as hydrogen bonding, has been recently developed. Under this process, cellulose fibres with certain moisture content are compressed with super absorbent powders to form a high-density web. Unlike latex, thermal and multi-bonded materials, hydrogen bonded products do not need to be dried in ovens.

As oven drying is a time consuming portion of the manufacturing process, the capacity of an air-laid production line may increase if it is used to produce hydrogen bonded products. Although hydrogen bonded products are produced using many elements of the air-laid process, they are not typically referred to as "fabrics" as they are much coarser in appearance and feel than latex, thermal and multi-bonded fabrics. In comparison to other nonwoven processes, the air-laid process uses a high percentage of cellulose fibres which are generally less expensive than synthetic fibres. As a result, air-laid fabrics generally offer a cost advantage. In many cases, air-laid products have better overall absorbent characteristics than other types of nonwoven materials.

Early air-laid production lines were either dedicated latex or thermal bonded production lines. Recently, production lines have been designed which are capable of producing both latex and thermal bonded fabrics as well as multi-bonded fabrics. These "swing" type production lines offer substantial flexibility for an air-laid producer because of their ability to make a wide range of products at acceptable speeds and efficiencies. The production capacity of these production lines will vary due to, among other things, the type of bonding method used, the basis weight of the fabric and components used in the fabric.

M&J Fibretech A/S ("M&J") (formerly Niro Separation A/S) and Dan-Web, both of Denmark, are the leading manufacturers of air-laid production lines. M&J production lines are capable of manufacturing latex, thermal and multi-bonded fabrics. M&J production lines are versatile and have proven swing line capability allowing the production line to manufacture a variety of fabric types. Production lines based on Dan-Web technology are capable of producing latex, thermal and multi bonded fabric. Dan-Web production lines do not have proven swing line capacity and production lines are typically dedicated to the production of either latex or thermal bonded fabrics. Dan-Web production lines are simpler, less versatile and less expensive than M&J machines. Both M&J and Dan-Web production lines may be modified to produce some hydrogen bonded products.

Air-laid Packaging and Delivery

After the air-laid web has been bonded it is trimmed to size, wound into large parent rolls and custom slit in widths to meet the customer's requirements. The parent rolls are shipped to the customer who will then convert the parent rolls into end-use products, which are in turn packaged and distributed.

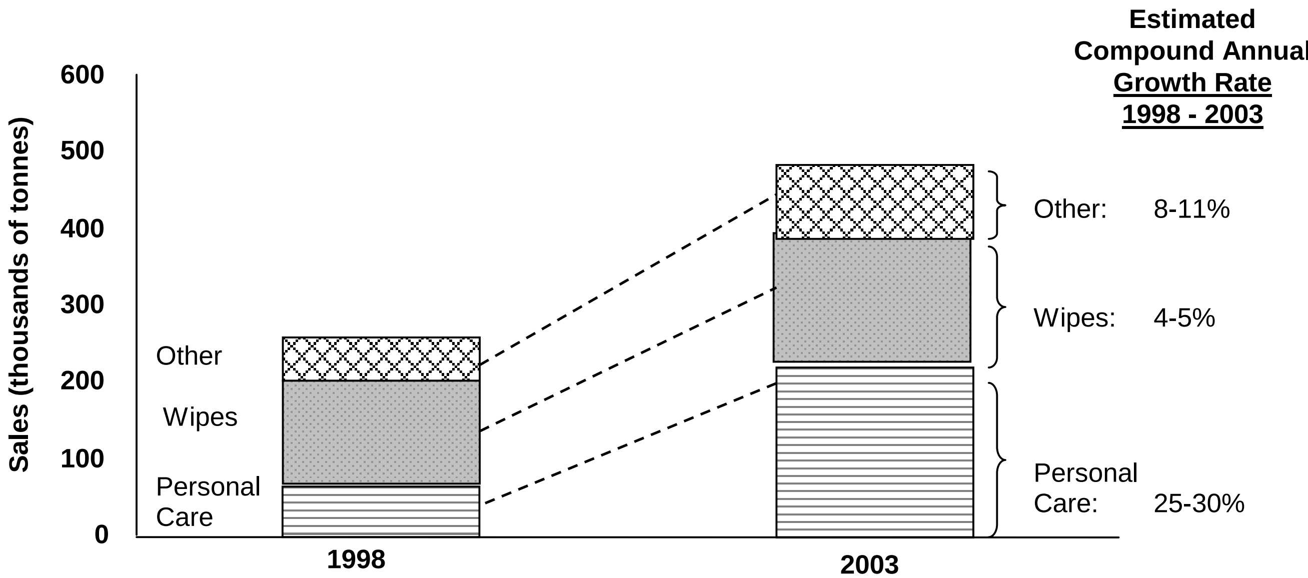
Technology has recently been developed whereby large air-laid parent rolls are slit or perforated and then sheeted or stacked to form square blocks of finished material. These square blocks (which may be compressed during the packaging process) are shipped to the customer in place of the more traditional slit parent rolls. This technology, known as festooning, results in significant changes in the method of shipping the product and the method by which a customer uses the product. The compressed blocks are significantly denser than parent rolls and the shape of the blocks is more efficient for container loading. Accordingly, shipping costs per tonne are reduced. When using a parent roll, production efficiency is usually reduced due to frequent roll changes. However, with festooning, a customer may join the blocks together end to end enabling a converting line to run more efficiently.

Air-laid Products

Many different raw materials can be introduced into air-laid materials to impart special characteristics to the finished product. Air-laid materials are used as key components in a wide range of consumer and industrial products because of these specific performance characteristics. Prices for air-laid products are usually higher and more stable than prices for traditional wet-laid papers. Air-laid products are generally split into four main groups: latex, thermal and multi and hydrogen bonded materials. Latex bonded fabrics have been used in a variety of products since the 1970's. Recent advances in air-laid fabric production, particularly the creation of new high performance thermal and multi-bonded fabrics and hydrogen-bonded materials, have allowed for the redesign of existing products and the development of new products. Our primary focus is the development and manufacture of thermal and multi-bonded fabrics. We believe that the market for such fabrics will grow as products continue to be redesigned and developed to take advantage of the performance characteristics of these fabrics.

The following chart shows the finished product categories which air-laid fabrics are currently and expected to be used in.

Global Outlook For Air Laid Fabric Sales



Source: John R.. Starr, Inc.

The following is a description of the principal product markets, which use or are expected to use air-laid fabrics.

Personal Care

Feminine Hygiene

In the early 1990's, leading manufacturers of feminine hygiene products introduced ultra-thin feminine pads and panty liners to replace thicker fluff pulp based products which were less comfortable and leaked under pressure. These ultra-thin feminine hygiene products include an acquisition and transfer layer (which transfers the liquid to the core) and an absorbent core (which stores the liquid). Many first-generation ultra-thin products used latex bonded air-laid fabrics in the absorbent core. The development of advanced thermal and multi-bonded fabrics has resulted in the redesign of these ultra-thin products. These new fabrics, that combine fluff pulp, synthetic fibres, super-absorbent powders and super-absorbent fibres, are thinner, more absorbent and more efficient than traditional air-laid fabrics. These new fabrics are suited for wider use in the redesigned products as both an acquisition layer and an absorbent core.

Adult Incontinence

Adult incontinence products such as absorbent briefs, insert pads, and undergarments are used primarily for urinary control problems. Management anticipates that the use of latex bonded fabrics in adult incontinence products will experience minor growth, while the use of thermal and multi-bonded fabrics will experience significant growth, primarily due to the development of new products using newly developed, highly absorbent fabrics in the absorbent core.

Baby Diapers

Disposable baby diapers represent the single largest absorbent product market. Major baby diaper manufacturers are attempting to develop cheaper, thinner products. There are currently several layers of material, including nonwovens, super-absorbents and fluff pulp, used as the absorbent core for diapers. Although air-laid fabrics are not currently widely used in baby diapers, new hydrogen bonded air-laid products are expected to permit the core to be reduced to one or two composite layers. This will allow the cores to be thinner and will simplify the diaper manufacturing process by reducing the amount of materials.

While the baby diaper market in developed countries is relatively mature, we believe that the anticipated conversion to products with air-laid based absorbent cores and developing segments, such as training pants, provide significant opportunities for increased sales of air-laid fabrics.

Wipes

Pre-moistened Wipes

The pre-moistened wipe market is broad and includes baby, body, cosmetic, medical, and incontinence wipes. The market is currently dominated by baby wipes. Air-laid fabrics are used in pre-moistened wipes as a soft, disposable, economic replacement for cloth or synthetic nonwoven fabrics. Baby wipes have to date been used for a variety of applications. As the baby wipes market matures the pre-moistened market is becoming more segmented as manufacturers design and market products to meet specific consumer needs (such as cosmetic wipes and incontinence wipes).

Industrial Wipes and Medical Applications

Industrial wipes are the oldest product application for latex bonded air-laid fabrics. The market grew steadily through the 1970's and 1980's as disposable industrial wipes made with air-laid fabrics became accepted as an economical replacement for rags and rental shop towels. Though management believes the segment is reaching maturity, growth is still expected as new product line extensions are introduced.

The medical industry utilizes air-laid fabrics in various applications such as fenestration borders on medical drapes, absorbent wound pads, disposable masks, wash mittens and clothing. In the medical biohazard market thermal bonded fabrics are used to contain leakage of dangerous fluids.

Other

Tabletop

Air-laid fabrics are used to manufacture premium disposable tabletop products such as napkins and tablecloths. The products are regarded as an economical replacement for conventional cloth products. To date, sales of premium tabletop products have been higher in Europe than in North America.

Food Pads

Newly developed thermal bonded fabrics have recently begun to be used as food pads for retail raw meat and produce packaging. The fabrics are separated from direct contact with the meat or produce through a lamination process. If the marketplace accepts these new food pads, we expect sales of air-laid fabrics for use in these products to increase.

Home Care

Thermal bonded air-laid fabrics are an important component of a recently introduced home dry cleaning kit. Another consumer product recently introduced is a household cleaning kit, which includes a tool with a flat swivel head to which the consumer attaches a disposable nonwoven cloth. Air-laid latex and multi-bonded materials are also emerging in leading brands of disposable anti bacterial cleaning wipes. The introduction of these products is expected to create a new market segment for thermal, latex and multi-bonded air-laid fabrics.

Miscellaneous

Air-laid fabrics are also used in fuel filtration products, absorbent packaging products, casket liners, cooking paper, and disposable Asian hot towels.

OUR BUSINESS

Overview

We develop and manufacture pulp based air-laid nonwoven fabrics. Our fabrics are key components in a wide range of products, including feminine hygiene products, baby wipes, adult incontinence products, tabletop products, home care products, food pads, disposable medical products and fuel filtration products.

Our plant in Thurso, Québec, Canada was built in 1993. Its annual capacity was increased in 1997 from 3,500 to 7,000 tonnes. In 1998, we opened our plant in Falkenhagen, Brandenburg, Germany and entered into multi-year supply contracts with two large multi-national customers. In 1999, a second production line was installed at Falkenhagen which commenced operations during the first quarter of 2000. With this expansion, the plant capacity was increased from 10,000 to 28,000 tonnes annually. In June 2000, we acquired Airformed Composites, Inc. (now Concert ACI Inc.) an air-laid manufacturing company located in Charleston, South Carolina, United States. Upon the completion of certain capital improvements to this facility, the annual rated capacity will be 10,000 tonnes. The present rated capacity is approximately 6,000 tonnes. Our newest plant is currently under construction in Gatineau, Québec, Canada. This plant will house the M&J and Dan-Web production lines with an expected cumulative capacity of 38,000 tonnes.

Corporate Strategy

Since 1993, our objective has been to address the needs of leading multi-national companies in branded feminine and personal hygiene products. Our management recognized at an early stage in our development that advanced thermal and multi-bond air-laid fabrics could become the market standard for redesigned feminine hygiene and other personal care products, replacing old products that had a higher specialty pulp content. We believed that the target customers were not being adequately served with respect to air-laid products. Since 1993, we have pursued a strategy to become a leading manufacturer of air-laid materials as outlined below.

Advanced Air-laid Production

We are focused on producing advanced thermal and multi-bonded air-laid fabrics. The specialty performance characteristics of these fabrics have resulted in the fabrics being used in a variety of traditional and emerging markets. We believe that the superior performance characteristics of thermal and multi-bonded fabrics will result in the market for these fabrics growing at a faster rate than the market for conventional latex bonded fabrics.

Focus on Personal Care Market

We have, since 1993, targeted our products primarily towards the personal care products market. This large market is relatively non-cyclical and is expected to grow as products become more widely accepted by countries outside of North America, Western Europe and Japan. Within the personal care products market we have been focused on producing fabrics for use as key components in feminine hygiene products. The Company has grown as air-laid products have become standard for these products and, in particular, as thermal and multi-bonded fabrics began to replace conventional latex bonded fabrics and fluff pulp pads. We anticipate that air-laid fabrics will become key components in a number of other personal care products, including baby diapers and adult incontinence products.

Flexible and Modern Manufacturing Assets

We benefit from a flexible and modern base of manufacturing assets. We have both M&J and Dan-Web production lines that are capable of producing latex, thermal and multi-bonded fabrics and some hydrogen bonded products. We believe our manufacturing flexibility, which allows us to change and broaden our product line, is an important consideration in the rapidly evolving marketplace for air-laid products. Upon completion of our fourth plant, located in Gatineau, Québec, over 75% of our estimated production capacity will be from new production lines.

Product Development Function Aligned with Customers

Our recent growth and success is a function of innovative product and process development aligned with our major customers' interests. Our ongoing success is tied to continued research and development of manufacturing processes and new product designs. We benefit from strong customer relationships and proven product development expertise. Our product development teams work closely with our major customers to understand their needs.

Customer Service and Value Proposition

We are aware of the need to balance value with the performance of our products. To this end we, in conjunction with our customers and suppliers, constantly seek to improve the value proposition made to our customers while maintaining strong margins. We are continuously improving our cost control and waste reduction, which are both crucial elements in providing our customers with the best balance between price and performance. Our facilities are situated close to our major customers. This proximity has allowed us to provide better services to our customers, particularly those large customers who have entered into multi-year supply agreements for our products.

Product Diversity

While maintaining our focus on air-laid technology and the personal care market, we have successfully broadened our product line and improved our product mix. Our products are currently destined for a number of other markets, including tabletop, food packaging, home cleaning, laundry and a variety of industrial markets.

Entrepreneurial Management Philosophy

A key element of our strategy is to foster and develop an environment where innovation and initiative are rewarded. We have developed a strong team with an entrepreneurial spirit by attracting a key group of creative and highly motivated individuals. These employees have unique expertise in air-laid technology, and more importantly, understand the importance of customer service, product quality and performance.

Manufacturing Facilities

We presently produce air-laid fabrics from three facilities, one of which is located in each of Thurso, Québec, Canada, Charleston, South Carolina, United States and Falkenhagen, Brandenburg, Germany. A fourth facility is under construction in Gatineau, Québec, Canada. The Gatineau facility will house two additional production lines. The following table describes our existing and proposed facilities and includes the types of production lines installed, fabric types produced, and the current and proposed annual production capacity of each facility.

Existing and Proposed Manufacturing Facilities

Location	Production Line Type	Fabric Produced	Current Annual Capacity (tonnes)[(1)]	Estimated Annual Capacity (tonnes)[(1)]	Estimated Expansion Start-Up Date
Thurso, Québec	Dan-Web	Thermal bond	7,000	7,000	N/A
Falkenhagen, Germany	M&J	Latex, thermal, multi and some hydrogen bond	10,000	10,000	N/A
	M&J	Thermal, multi and some hydrogen bond	18,000	18,000	N/A
Gatineau, Québec	Dan-Web	Thermal, multi and hydrogen bond	N/A	20,000[(1)]	2nd Quarter, 2001
	M&J	Latex, thermal, multi and hydrogen bond	N/A	18,000[(1)]	2nd Quarter, 2001

Location	Production Line Type	Fabric Produced	Current Annual Capacity (tonnes)(1)	Estimated Annual Capacity (tonnes)(1)	Estimated Expansion Start-Up Date
Charleston, South Carolina	Dan-Web	Latex, thermal and multi bond	6,000	10,000(2)	1st Quarter, 2001
			41,000	83,000	

(1) Annual production capacity is subject to a number of factors, including product mix, bonding method, and operational maturity of the production line.
(2) The targeted annual capacity will not be achieved until appropriate product mix and machine improvements are realized.

Thurso, Québec, Canada

Our manufacturing facility in Thurso, Québec is operated by CFL, our wholly-owned subsidiary. Thurso is located approximately 30 kilometres north-east of the Ottawa/Hull area. The facility includes a production line, which is based on Dan-Web technology. The production line is dedicated to producing thermal bonded fabric in a weight range from 70 gsm to 1,200 gsm. Parent rolls may be cut in widths from 30 mm to 950 mm prior to shipment to our customers. The production line has an annual capacity of 7,000 tonnes, depending on the product mix. We believe that the production line may be modified to produce certain types of multi-bonded fabrics and hydrogen-bonded products.

The Dan-Web machine is highly automated and has low maintenance requirements. It is easy to start up and is therefore well suited to producing short customized production runs for particular customers and for switching between different products with limited waste and down time. The Dan-Web machine also makes optimum use of a wide range of fibre sizes allowing us to utilize a diverse selection of raw materials.

Our Thurso facility is housed in a 50,000 square foot leased building. The facility opened September 30, 1993 and commercial production commenced in the spring of 1994. In 1997, we increased the annual capacity of the facility from 3,500 to 7,000 tonnes. At present, the Thurso facility is operating at capacity with four shifts per day employing 73 people on a full-time basis.

Falkenhagen, Brandenburg, Germany

Our 55% owned subsidiary, Concert GmbH, owns and operates our manufacturing facility in Falkenhagen, Brandenburg, Germany. Falkenhagen, Germany is located between Hamburg and Berlin and is well situated to supply our European customers. Our Falkenhagen plant opened in April, 1998 and includes a M&J swing type production line capable of producing latex, thermal, multi and hydrogen-bonded products with a capacity of up to approximately 10,000 tonnes annually, depending on the product mix. The production line is capable of producing latex bonded fabrics between 50 gsm and 300 gsm and thermal bonded fabrics between 40 gsm and 2,000 gsm. Parent rolls may be slit into widths from 60 mm to 1700 mm.

The M&J production line is highly automated. As with the Dan-Web production line installed at our Thurso facility, the M&J production line installed at the Falkenhagen facility allows easy start up and changes to the product with limited production interruption. Our Falkenhagen facility commenced operations in early 1998 and is housed in a 110,000 square foot building owned by Concert GmbH. In 1998, a significant multi-year contract with a customer led to the decision to expand the Falkenhagen plant by adding a second M&J production line. The new production line, which began production in the first quarter of 2000, is capable of producing 18,000 tonnes per year. It is also capable of producing thermal, multi, and some hydrogen-bonded products. This production line is not a full swing type production line and is not used to produce latex bonded fabrics. The machine is housed in a new 130,000 square foot building adjacent to the existing 110,000 square foot facility. The expansion also included the design and manufacture of an in-line festooning system to convert parent rolls of air-laid fabric to compressed square blocks.

Due predominantly to the current product mix, our Falkenhagen facility is currently producing approximately 24,000 tonnes on an annualized basis. The plant operates with four shifts per day employing 210 people on a full-time basis.

Concert GmbH was formed in 1996 for the purpose of constructing an air-laid facility in Germany. Concert GmbH is owned by the Company, as to 55%, GEA, as to 24.9% and Airlaid Produkt-Beteiligungsgesellschaft mbH ("APB") as to 20.1%. GEA is a large international engineering company based in Germany and is the former owner of M&J. APB is a company founded by the late Bernd Sander, a private investor in the air-laid industry. The shares of APB are now held by Paul Topmöller, Reiner Haßheider and Vicell Europe B.V., Netherlands. Upon formation of Concert GmbH, each of the shareholders of Concert GmbH contributed their pro rata share of the total initial capital of DM 10.0 million. A further DM 10.0 million in equity and DM 7.1 million in shareholders loans were contributed pro rata in 1998 to provide additional working capital and to partially finance the expansion.

In accordance with the terms of the company contract, the Company, GEA and APB have agreed to elect an advisory board (the "Beirat"). The Beirat currently consists of four members, of which two are nominees of the Company, one is a nominee of GEA and one is a nominee of APB. Concert and GEA each have the right to appoint one managing director who exercises day-to-day management. Under the terms of the company contract, all decisions of Concert GmbH's directors with respect to fundamental matters, including the sale of assets, mergers, financings or significant capital expenditures, require the approval of the Beirat. The Beirat decisions are made by a simple majority vote. All shareholders' resolutions require a majority of at least 80% of the votes present at a meeting. Therefore, although the Company may purchase all of the shares held by GEA, shareholders' resolutions will continue to require the approval of APB. APB presently holds 20.1% of the votes. The Beirat must approve all activities and legal transactions of the managing directors that are considered by the Beirat to be out of the course of ordinary business, which include activities and legal transactions such as a sale or acquisition of assets exceeding DM 100,000, a sale or acquisition of real estate, the granting of loans and credits, the acceptance of guarantees, and the hiring of employees whose salaries exceed DM 80,000.

The constating documents and other agreements among the shareholders of Concert GmbH do not include any compulsory buy-sell or “shot gun” provisions, although no shareholder may dispose of their interest without first offering it to the remaining shareholders. The Company and APB have a call option to purchase, pro rata, GEA's interest in Concert GmbH. The call option may be exercised either by APB or by the Company. The number of shares that either party may purchase is proportionate to its then current interest in Concert GmbH. However, if only one party decides to exercise the call option, then GEA has the right to demand that such party also purchase the portion of GEA's shares remaining after the acceptance of such offer. The purchase price for the shares of Concert GmbH held by GEA must, at a minimum, be the book value of Concert GmbH at the time of the exercise of the call option. We are currently in negotiations with GEA to exercise the call option right at a commercially reasonable price.

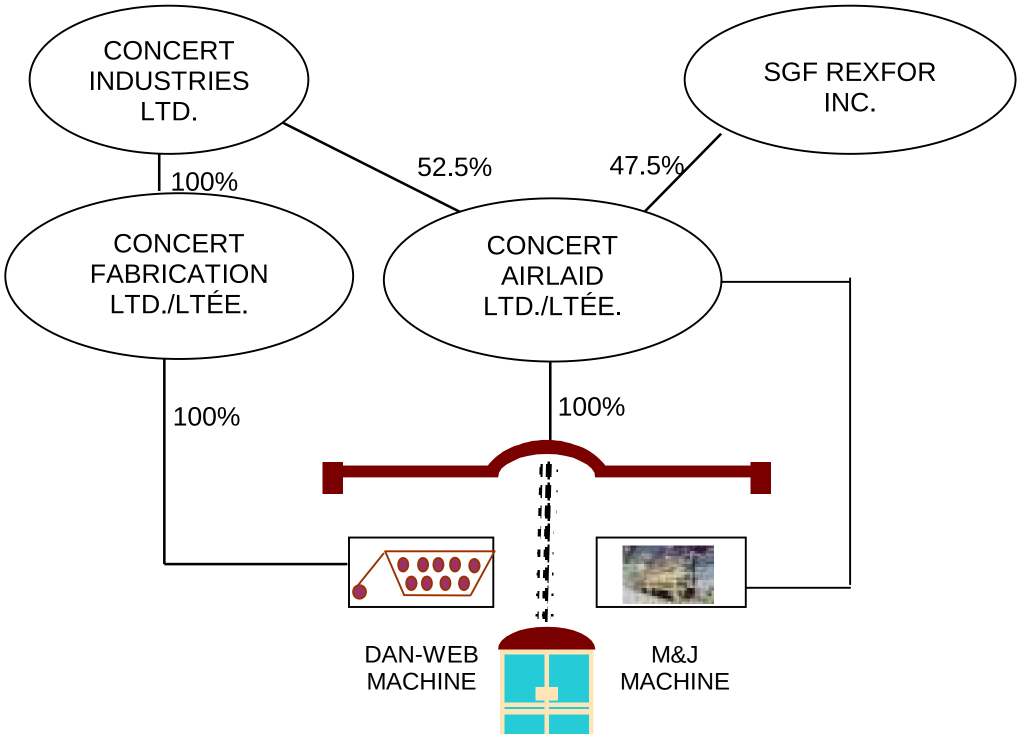
Gatineau, Québec, Canada

During 1999, we engaged in discussions with our large multinational customers for the supply of air-laid fabrics and in the fall of 1999, these discussions concluded with the execution of two multi-year supply contracts. In order to supply the fabrics required under these contracts, we decided to construct a manufacturing facility in Gatineau, Québec and install two air-laid production lines in this facility.

In December, 1999, CAL purchased from the city of Gatineau a large track of land totalling approximately 900,000 square feet which is located in an industrial park. In March 2000, CAL began the construction of a 310,000 square foot plant that will house the two production lines. The first production line will be a 2.7 meter wide M&J machine with an estimated annual capacity of 18,000 tonnes. The second production will be a 2.7 meter wide Dan-Web machine with an estimated annual capacity of 20,000 tonnes. We anticipate that both production lines will commence operations in the second quarter of 2001.

We have estimated the cost of the Gatineau plant at approximately $139,100,000 which will include the construction of the plant, the purchase of the two production lines, the start-up costs and working capital. CFL is the owner and operator of the Dan-Web line of production. CAL is the owner of the Gatineau plant and owner and operator of the M&J line of production. SGF Rexfor Inc. has subscribed and paid for 47.5% of the issued and outstanding shares of CAL.

The Gatineau Plant



The Dan-Web Line of Production

CFL is the owner and operator of the Dan-Web line of production. The cost of the Dan-Web line of production is estimated at $40,000,000.

Long Term and Operating Loans

On June 8, 2000, CFL entered into a credit agreement with a Canadian chartered bank (the "Lead Bank") for a term loan in the amount of $20,000,000 and for an operating loan in the amount of $5,000,000.

The interest rate on the term loan will vary depending upon a number of factors, including the manner in which the loan is drawn down and CFL's debt to earnings ratios. The term loan initially bears interest at the Lead Bank's prime rate plus 1.25%. The term loan is repayable in escalating quarterly payments beginning one year and ending five and one-half years after draw down. An additional annual repayment equal to 35% of the excess cash flow generated by the Dan-Web line of production is required while the loan amount remains greater than $10,000,000. The loans are secured with a first fixed and floating charge against all of the assets of CFL. In addition, $2,500,000 has been segregated from the $10,000,000 loan made by SGF Rexfor Inc. to CFL to fund cost overruns on the Dan-Web line of production. Any funds remaining from this segregated portion, upon completion of the Dan-Web line of production will be released to CFL. Conditions to draw down include the closing of the SGF Rexfor Inc. and Investissement Québec loans, the execution of fixed cost contracts for 60% of the estimated cost of the Den-Web line of production, and other conditions standard for a project finance loan.

The credit agreement also provides for the Lead Bank to provide CFL a demand operating loan in the amount of $5,000,000. CFL can commence to draw on the operating loan upon commercial operation as this expression is defined in the credit agreement.

Investissement Québec Loan

On June 8, 2000, CFL entered into a loan agreement with Investissement Québec in the amount of $5,000,000 for the Dan-Web line of production. Investissement Québec is a corporation owned by the Government of Québec which provides and attracts financing for projects which have economic benefits to Québec residents. The loan is interest free for seven years. The principal will be repaid commencing three years from the date of the first advance of funds, in annual instalments equal to the lesser of: one-quarter of the original loan amount, and 35% of excess cash flow generated by the Dan-Web line of production. When the balance of the term loan is less than $10,000,000, the annual payment will equal the lesser of (i) one-quarter of the original loan amount, plus any shortfall from the previous year and capitalized interest, if any, and (ii) 70% of excess cash flow generated by the Dan-Web line of production. The loan is secured by a second charge on all of the assets of CFL. If an annual payment is less than one quarter of the original loan amount due to limited available cash flow, the shortfall will bear interest at the variable rate of Investissement Québec plus 0.25%. We have committed to employ at least 50 people at the Thurso plant and at least 120 people at the Gatineau plant within 3 years.

Loan by SGF Rexfor Inc.

SGF Rexfor Inc. provided to CFL a line of credit of up to $10,000,000. SGF Rexfor Inc. is a wholly-owned subsidiary of Societé générale de financement du Québec, an agency of the government of Québec, which provides financing for projects that provide economic and strategic benefits to the Province of Québec. The proposed budget for the Dan-Web line of production only requires $5,000,000 of this line of credit to be drawn down. Nevertheless, the total line of $10,000,000 is available to CFL for a maximum of two years until the Dan-Web line of production reaches commercial production. The loan is evidenced by a debenture and will bear interest at 15% per annum plus supplementary interest of $500,000 payable on maturity. The loan will have a term of six years. If the loan is not repaid on the maturity date, SGF Rexfor Inc. may at its option convert the outstanding loan balance into Common Shares of the Company at a conversion price equal to the greater of: (i) $5.50 per Common Share; and (ii) 95% of the then current market price of the Common Shares.

The Gatineau Plant and the M&J Line of Production

CAL is the owner of the Gatineau plant and owner and operator of the M&J line of production. SGF Rexfor Inc. has subscribed and paid for 47.5% of the issued and outstanding shares of CAL. The cost of the Gatineau plant and the M&J line of production is estimated at $99,100,000.

CAL Working Capital

On June 8, 2000, we subscribed for 52.5% of the shares of CAL for the purchase price of $16,800,000 and SGF Rexfor Inc. subscribed for the remaining 47.5% of the shares of CAL for a purchase price of $15,200,000.

The Company and SGF Rexfor Inc. entered into a shareholders agreement which sets forth the terms under which CAL is governed. The shareholders agreement provides, among other things, that the board of CAL shall consist of three persons nominated by the Company and two persons nominated by SGF Rexfor Inc. and that a quorum for shareholders' meetings shall be 75% of the voting shares outstanding. Each shareholder has a pre-emptive right to acquire any additional shares of CAL which may be issued. Each shareholder also has the right of first refusal to purchase the shares of the other shareholder. In addition, the Company has a call option to purchase the shares of CAL held by SGF Rexfor Inc. The call option may be exercised for 18 months after closing at a price equal to SGF Rexfor Inc.'s investment plus a 15% annual return compounded monthly and plus an escalating transaction fee. The call option is exercisable three years after the M&J line of production reaches certain production levels, at the greater of the fair market value (excluding any discounts for minority interests) of the shares and SGF Rexfor Inc.'s initial investment plus a 15% annual return compounded quarterly. Commencing seven years after closing, SGF Rexfor Inc. may, at its option, in certain cases, exercise a put option to require the Company to repurchase SGF Rexfor Inc.'s shares of CAL at the then fair market value. Commencing eight years after closing, SGF Rexfor Inc. may convert any remaining shares in CAL into Common Shares of the Company at a conversion price equal to the greater of 95% of the then current market price per Common Share and $5.50 per Common Share.

Long Term and Operating Loan

On June 8, 2000, CAL entered into a credit agreement with a Canadian chartered bank (the “Lead Bank”) for a term loan in the amount of $45,000,000 and for an operating loan in the amount of $7,500,000.

The interest rate on the term loan vary depending upon a number of factors, including the manner in which the loan is drawn down and certain debt to earnings ratios. The term loan initially bears interest at the Lead Bank’s prime rate plus 1.25%. The term loan is repayable in escalating quarterly payments beginning one year and ending five and one-half years after draw down. An additional annual repayment equal to 35% of the excess cash flow generated by the M&J line of production is required while the loan amount remains greater than $22,500,000. The loans are secured by a first fixed and floating charge against all of the assets of CAL. In addition, the shareholders of CAL have provided a surety that the Gatineau plant will be constructed and started-up within its prescribed budget. Conditions to draw down include the closing of the Investissement Québec loan, confirmation of the investment by SGF Rexfor Inc., the execution of fixed cost contracts covering 60% of the cost of the M&J line of production, and other conditions standard for a project finance loan. In addition, $2,500,000 has been segregated from the $10,000,000 loan from SGF Rexfor Inc. to fund cost overruns on the M&J line of production. Any funds remaining from this segregated portion, upon completion of the M&J line of production will be released to CAL.

The credit agreement also provides for the Lead Bank to provide CAL a demand operating loan in the amount of $7,500,000. CAL can commence to draw on the operating loan upon commercial operation as this expression is defined in the Credit Agreement.

Investissement Québec Loan

CAL entered on June 8, 2000 in a loan agreement with Investissement Québec in the amount of $15,000,000. The terms of the loan are substantially the same as Investissement Québec’s loan to CFL. The loan is interest free for eight years. The principal will be repaid, commencing three years form the date of the first advance of funds, in annual instalments equal to the lesser of one-fifth of the original loan amount and 35% of available cash flow. When the balance of the term loan is less than $22,500,000, the annual payment will equal the lesser of: (i) one-fifth of the original loan, plus any shortfall from the previous year and the capitalized interest, if any, and (ii) 70% of the excess cash flow generated by M&J line of production. The loan is secured by a second charge on all of the assets of CAL. If an annual payment is less than one-fifth of the original loan amount due to limited available cash flow, the shortfall will bear interest at the variable rate of Investissement Québec plus 0.25%.

Charleston, South Carolina, USA

In June 2000, we acquired a 100% interest in Airformed Composites, Inc. to support the rapid increase in product demand and further increase our geographic diversity. After the acquisition we changed the newly acquired subsidiary’s name to Concert ACI Inc. The subsidiary was formed in 1997 for the purpose of manufacturing and marketing true composite structures. ACI is located in Charleston, South Carolina, United States. The plant includes a Dan-Web swing production line capable of producing latex, thermal and multi-bonded products with a present annual capacity of approximately 6,000 tonnes, depending on the product mix. The 1.93 meter wide line is located in a leased 50,000 square feet facility. We plan to increase the annual rated capacity of ACI to 10,000 tonnes by the end of the first quarter of 2001.

Under the terms of the acquisition, we issued 388,810 Common Shares in consideration for 100% of ACI’s then issued and outstanding share capital. In addition, ACI issued eight year convertible debentures to its former shareholders and debenture holders (the “Airformed Securityholders”) in the aggregate principal amount of US$9,066,045 convertible into 2,189,866 Common Shares at a rate of US$4.14 per share. The debentures are interest free for the first two years and bear an interest rate of 8% per annum thereafter. We have the option, under certain conditions, to redeem the debentures after May 31, 2001. The debentures may be converted at the option of the holders at US$4.14 per share. Inclusive of the assumption of bank debt and including new cash invested in and loaned to ACI the aggregate enterprise value of the transaction was approximately US$19 million. In further support of the acquisition, we entered into a private placement for $752,787 (US$500,000) whereby we issued 167,286 units (the “Units”) at a price of $4.50 per Unit. Each Unit consisted of one Common Share and one-half of one warrant (each whole warrant, a "Unit Warrant"). Each Unit Warrant is exercisable to purchase one Common Share at a price of $6.00 at any time on or before May 31, 2002.

The acquisition has provided us with immediate production support for the consistent increase in the demand for our products. The South Carolina location is proximate to our customers in the southern United States, Mexico and South America and therefore provides us with significant opportunities to accelerate our market penetration of our products that will be produced at our new plant in Gatineau, Québec. ACI's full swing Dan-Web line is technologically complementary to our line in Thurso, Québec.

Raw Materials

The primary raw material used in the manufacture of our products is Southern Pine fluff pulp. This represents the largest component of our variable costs of production. We purchase fluff pulp at prevailing market prices and have not entered into long term purchase agreements for such fluff pulp. Although the manufacturing process employed by us allows us to use fluff pulp with a wide range of fibre types and sizes, the multi-year supply contracts specify that certain grades, types and sizes of fibre must be used. These contracts contain price adjustment provisions in the event of significant fluctuation in the market price of fluff pulp. Historically, fluff pulp has been available in adequate supply in the marketplace.

In addition to fluff pulp, our products also use varying amounts of bonding fibres, absorbent powders, bonding resins, polyethylene film, and scrim reinforcement or other coverstock that is incorporated on or within the web. These supplies are purchased from a number of manufacturers. The thermal and multi-bonding process requires large amounts of electricity to generate adequate heat to apply to a web to initiate the bonding process. Our plants are situated close to adequate supplies of electricity.

Our Products

Our primary focus is on the development and manufacture of specialty absorbent thermal and multi-bonded air-laid fabrics. These types of fabrics currently account for over 85% of our production. Through a mix of process options, proprietary technology, industry and product design expertise, and strategic location, we offer our customers a range of high performance air-laid fabrics at attractive prices. The following is a description of the principal product markets, which use our products.

Personal Care

Feminine Hygiene

We develop and manufacture air-laid fabrics that form the absorbent core, and acquisition and distribution layers of ultra-thin feminine pads and panty liners. Our multi-year supply contracts relate primarily to the supply of thermal and multi-bonded fabrics for this market. We believe that significant growth opportunities exist in this market for new thermal and multi-bonded air-laid fabrics, which combine the acquisition, distribution and storage layers, thereby significantly reducing the raw material handling and increasing the customers' production line efficiency. The majority of the air-laid fabrics produced by us are used in feminine hygiene products.

Adult Incontinence

Our products are used as a high volume, low thickness liquid storage layer in adult briefs and liners. Our processes allow for a high super-absorbent polymer content, evenly distributed throughout the web, which is ideal for incontinence product application in both the retail and institutional markets.

Baby Diapers

Although air-laid fabrics are not widely used in baby diapers, we are developing new hydrogen bonded products which may be suitable for use as an absorbent core in baby diapers. If these products are adopted by manufacturers for use in baby diapers this market may provide a significant growth opportunity for the Company.

Wipes

Pre-moistened Wipes

Although we could generate additional sales in this market, we are not aggressively pursuing further sales as the products do not require fabrics with significant specialty performance characteristics, and consequently margins are lower for these fabrics.

Industrial Wipes & Medical Applications

The industrial wipes market uses conventional latex bonded fabrics as an economical replacement of rental shop towels and high-end hand towels. The air-laid products supplied to this market generally carry lower margins compared to other products.

The air-laid segment of the medical market is quite specialized, focusing on thermal and multi-bond applications in hazardous waste containment systems, anti-microbial wound pads and wipes. Margins are generally high and there may be growth opportunities for our products.

Other

Tabletop

Our production is used for tabletop products, such as napkins, tablecloths, coasters and trayliners. These products use latex bonded fabrics. We expect sales to this market segment to remain relatively constant.

Food Pads

Our production is used in food pads primarily in Europe. The food pad market is a relatively new target market for air-laid fabrics. We recognize this market as a potentially high growth and high-margin area for us. In the United States, we and one of our distributors are working with a leading supplier of food pad products to develop a laminated air-laid product which meets health, safety and performance standards.

Home Care

Our production is dedicated to fabrics used in newly developed laundry and cleaning products. We expect sales to this market will increase as the products are accepted by consumers and capacity becomes available.

Printing Pads

In partnership with a leading high-speed, document printing machine manufacturer, we have developed thermal bonded fabrics for use as ink absorption pads. The pad soaks up excess ink, preventing discoloration of printed documents. This is a value-added market which management believes has significant growth potential.

Sales and Marketing

Our sales and marketing efforts concentrate on the development of long-term relationships with our customers. These efforts are conducted through our internal sales, marketing and product development teams and selected third party agents. We maintain a sales office and product development department in each of our manufacturing facilities and co-ordinate strategic contractual commitments from our head office in Vancouver, Canada. Our staff is responsible for all sales, including those to multi-national companies. We generally employ third party agents in specialized or local market segments such as certain areas of Europe, Asia and other emerging markets.

Many of the members of our sales teams have technical backgrounds and advanced knowledge of our products and manufacturing processes. Our sales teams are actively involved in product development and work closely with customer research and development teams.

During the nine month period ended September 30, 2000 our sales were split approximately 35% and 65% between North America and Europe, respectively. Our customers vary in size from small and medium-sized companies to large multi-national conglomerates. We currently sell to over 40 customers in the international marketplace. However, sales to our top seven customers currently represent approximately 68% of our sales and are expected to increase during the 2001 fiscal year to over 75% of our sales. See “Risk Factors”. Goods are delivered by rail, truck or ocean carrier and are generally sold on a FOB basis from our manufacturing facilities.

We are party to multi-year supply contracts with leading multi-national customers. These contracts include minimum annual volume purchase requirements at sales prices based on prevailing market rates. The contracts also include price adjustments for fluctuations in the cost of raw materials, such as fluff pulp. The contracts may be terminated by the customer upon the occurrence of certain conditions. The multi-year supply contracts provide for the supply of approximately $300 million in air-laid fabrics between 2001 and 2004. One customer has committed to use approximately 45% of the production of the Dan-Web production line in Gatineau and another customer has committed to use approximately 50% of the production from the M&J production line in Gatineau. We anticipate that when the Gatineau facility is operating at capacity, our customer base will be more diversified.

Research and Development

Our products are primarily used as an acquisition and transfer layer and absorbent core in feminine hygiene products of both private label and brand named producers. We are also developing products in the adult incontinence and medical disposal market, baby diaper, food packaging, laundry, industrial filtration and cleaning markets, all of which we believe have high potential growth rates.

The movement by manufacturers towards super-absorbent, ultra-thin feminine and adult incontinence pads has accelerated the use and development of more sophisticated air-laid materials such as those offered by us. We work closely with customers to develop specialty niche products using our fabrics.

Our sales and marketing force, process engineers and research and development staff form product development teams to work closely with our customers’ engineers and product development personnel in improving existing products and developing new products for the air-laid market. Our dedication to the development and manufacture of leading edge air-laid fabrics has allowed us to form a research and development team composed of scientists and engineers with extensive experience in polymer chemistry, fibre and liquid distribution, material handling, process and mechanical engineering.

We employ key technical staff with extensive industry experience in process engineering, product development and quality management. These scientists and engineers joined us from leading multi-national companies, machine suppliers and our major competitors. We intend to continue adding key technical staff to build a leading know-how position in the market.

We have and intend to continue to spend significant resources on research and development.

Intellectual Property

We license from the applicable machine manufacturer the technology employed in our air-laid production processes. These licenses do not cover activities relating to festooning. Although we do not hold any patents for the air-laid production process, we have secured the necessary licenses and permits relating to the air-laid production process, on a long term and favorable basis, in order to allow us to maintain our competitive position and develop additional products. In connection with any processes or applications developed by us, we intend to maintain such developments as trade secrets.

Our festooning process is not patented and proprietary technology relating to the festooning process may, in the future, restrict our ability to practice in this area. See “Risk Factors – Intellectual Property” and “Legal Matters”.

We have registered the trademark “CelluWeb®” in Canada, the United States and Japan. We own the United States trademarks “Micromill®”, “Smartcore®” and “Smartpac®”. We have not formally registered any copyrights.

Competition

Our products are subject to competition in all markets. In the air-laid fabrics industry, technical knowledge, production capacity, innovation, product development, cost and supply are the most important competitive factors in developing and retaining business. We believe that our technical and product development expertise offers us advantages over our competitors in developing and selling value added specialized products.

As a number of our products are sold to niche or specialized markets, we believe the size of such markets, relative to the amount of capital and unique technical expertise required to enter those markets, presents a significant barrier to entry for new competitors.

Our primary competitors are much larger than us in terms of production volume and sales. However, most of our competitors are also divisions or subsidiaries of larger enterprises, many of which offer substitute, complimentary or competitive products. Most of these companies also have greater access to capital than the Company. In order for us to maintain a competitive advantage, we will need to identify value-added specialty products not well served by our competitors. Substantial capital may also be required in order for us to develop significant production capacity to be able to effectively compete with these other suppliers. See “Risk Factors – Competition”.

Our principal competitors are Buckeye Technologies Inc. (“Buckeye”) and Fort James Corporation (“Fort James”). Buckeye, based in Memphis, Tennessee, United States, operates air-laid plants in British Columbia, Canada, Cork, Ireland, North Carolina, United States and Steinfurt, Germany. Buckeye reports that their annual air-laid fabrics production capacity is currently 85,000 tonnes and will increase by 50,000 tonnes upon the completion of a new machine to be built in North Carolina. Fort James, which is based in Wisconsin, United States operates plants in Wisconsin, United States, Avigliano, Italy and Gien, France.

Environmental Matters

We are subject to a broad range of federal, foreign, provincial, state and local laws and regulations relating to pollution and the protection of the environment. Among many environmental requirements applicable are laws relating to air emissions, wastewater discharges, and the handling, disposal and release of solid and hazardous substances and wastes. We are currently in compliance with all applicable environmental laws.

Unlike conventional paper making processes which involve the use of large quantities of water within which are suspended and distributed cellulose fibres, air-laid production processes use very little or, in some instances, no water. As a result, water effluent emission is less significant than for the wet laid paper process. Water effluent from maintenance and cleaning of machinery requires minor straining and chemical treatment. With respect to air effluent emission, we employ an extensive recycling system for fibres and air used in our forming machinery. As a result, fibre or other particulate air emissions are minimal and below specified legal limits.

We have also adopted procedures for reclaiming internally generated waste or byproducts. We do not anticipate that ongoing compliance with environmental requirements will have significant effects on our operations, financial condition or competitive position.

Management

The background and experience of our senior management is described below.

Dieter Peter

Mr. Peter, age 59, is the Chairman of our board of directors and is our Chief Executive Officer. In 1991, Mr. Peter reorganised Concert and since then he has devoted his energies towards the commercialization of thermal bonding air-laid technology. This commitment led to the establishment of Canada’s first commercial thermal bonding air-laid production line in North America at Thurso, Québec. Mr. Peter's leadership and commitment to provide global service to our customers led to the installation of our second manufacturing facility at Falkenhagen.

Mr. Peter founded Merfin Hygienic International Inc. ("Merfin") in 1986. Merfin was the first company in Canada to produce air-laid fabrics using an M&J production line. Merfin was acquired by Buckeye in 1997. Mr. Peter was directly responsible for Merfin's technology transfer, plant acquisition, financing and public listing on the Vancouver and Toronto Stock Exchanges. Mr. Peter has a diploma in Optometry from the Optometry School in Cologne, Germany.

John McNicol

Mr. McNicol, age 41, joined our management team as President and Chief Operating Officer in September 1998. He was appointed a director of Concert in February of 1999. In June 2000, Mr. McNicol resigned from his position as COO and remains as President and a director of Concert. Mr. McNicol has extensive experience within the air-laid industry from his tenure at Merfin. Mr. McNicol held various senior management positions at Merfin including President, Chief Operating Officer and Chief Financial Officer. Mr. McNicol was responsible for strategic and financial planning and operational management of Merfin's domestic and international businesses. He participated in building Merfin into a leading international air-laid manufacturer with 18% of global production capacity until Buckeye Technologies Inc. acquired it in 1997. Mr. McNicol has a Bachelor of Commerce degree from Mount Allison University and is a Chartered Accountant.

Carey Edwards

Mr. Edwards, age 45, is our Executive Vice-President, Chief Financial Officer, and Secretary and is a member of our Board of directors. After nine years as an accountant in public practice, Mr. Edwards joined Merfin as its Chief Financial Officer in 1987. While at Merfin, Mr. Edwards was responsible for all financial aspects of that company, including raising financing for Canada's first air-laid production line. Mr. Edwards joined us in 1991 where he assumed his responsibilities for all our financial matters. Mr. Edwards obtained a Bachelor of Commerce degree from the University of British Columbia.

Miles Lauzon

Mr. Lauzon, age 53, joined our management team in June 2000 as Executive Vice-President of Manufacturing, and Chief Operating Officer Americas, ("COO"). Based in Gatineau, Québec, Mr. Lauzon also fills the position of General Manager of CAL. Mr. Lauzon, holds a Ph.D. in Chemical Engineering from the University of Waterloo and has more than twenty years of operational and developmental managerial experience as a senior professional engineer. Most recently, Mr. Lauzon held the position of Vice-President and General Manager of Pacifica Papers Inc., located in Powell River, British Columbia. At Pacifica Papers, Mr. Lauzon was responsible for all aspects of the operation of a pulp and paper manufacturing facility employing 1,000 persons.

Ken Squires

Mr. Squires, age 53, is the President of CFL. Mr. Squires has been involved in the nonwoven business since 1973 when he was Sales Manager and later President of Sterns Canada Inc. Upon leaving Sterns Canada Inc. and prior to joining CFL in 1994, Mr. Squires worked in the plastic film industry for the feminine hygiene, baby diaper and adult incontinence markets in North America. Mr. Squires has a Bachelor of Arts degree from the University of Western Ontario.

Guylain Chatigny

Mr. Chatigny, age 40, is the Operations Manager for CFL. He joined CFL in September 1994. Mr. Chatigny has been involved in several plant start-ups and operations since his graduation as a Mechanical Engineer from Laval University. Under Mr. Chatigny's tenure the efficiency of the Thurso plant has been increased.

Rolf Hövelmann

Mr. Hövelmann, age 47, is the Site Leader for Concert GmbH. Mr. Hövelmann joined Concert GmbH in August 1997. He received a degree in Business Administration from the University of Essen. Subsequent to graduation, Mr. Hövelmann gained experience in numerous senior management positions within the hygienic industry and as a

Managing director of, Rölfs, Bühler & Partner, Düsseldorf, Leipzig, Frankfurt, a high profile management-consulting firm. Mr. Hövelmann has been involved with Concert GmbH since the construction of our first production line and is responsible for the subsidiary's administration and operations.

Walter Garn

Mr. Garn, age 56, is director of Sales and Marketing for Concert GmbH. Mr. Garn joined Concert GmbH in September 1997. He graduated from the Academy Niederrhein with a degree in Business Administration. Mr. Garn has held several senior sales and marketing positions within the packaging and hygienic markets and joined Concert GmbH three months before the first production line went into operation. Before joining Concert GmbH, Mr. Garn was the managing director of sales and marketing for Wentus GmbH, a subsidiary of the Dutch KNP-BT Group.

Lori Venn

Lori Venn, age 36, was appointed to the position of General Manager of ACI in May, 2000. Ms. Venn was one of the founding principals of ACI formerly Airformed Composites, Inc. She began her career in the air-laid industry 1991 as the Finance Manager at Walkisoft in Mt. Holly, North Carolina, United States and later became their Market Manager for North and South America. Ms. Venn remained at Walkisoft until 1997 when she became the North American Sales Manager for Buckeye in Vancouver, British Columbia, Canada. In 1998, she became the Vice-President Sales & Marketing at Airformed Composites, Inc. Ms. Venn holds a B.Sc. in Biology and Psychology from the University of South Carolina, United States.

Personnel

As at November 30, 2000, we had a total of 350 full and part-time employees with 8 employees in Vancouver, 73 employees in Thurso, 42 in Charleston, 17 in Gatineau and 210 employees in Falkenhagen. We consider our employee relations to be excellent. We anticipate that we will increase our employment incrementally over the coming years as we increase our capacity.

The employees of CFL became members of "Le syndicate de communication de lénergie et du papier" on April 18, 2000. Contract negotiations are ongoing.

For particulars on our directors and senior officers, see "Directors and Senior Officers".

Description of Offices

The following is a list of the principal locations where the Company and its subsidiaries conduct business and the use thereof:

Location of Office	Owned or Leased	Area (sq. foot)	Use of Property
Concert Industries Ltd. Suite 950, 1055 West Georgia St. Vancouver, B.C. Canada	Leased(1)	2,250	Corporate Head Office
Concert Fabrication Ltée. 350 rue Nash Thurso, Québec Canada	Leased(2)	50,000	Manufacturing facility for Air-laid
Concert GmbH Am Lehmberg 10 16928 Falkenhagen Germany	Owned	240,000	Manufacturing facility for Air-laid

Location of Office	Owned or Leased	Area (sq. foot)	Use of Property
AA-Tech Systems Advanced Airlaid Technology Systems GmbH Rapshagener, Str.2 16928 Falkenhagen Germany	Leased[(3)]	300	Development of festooning technology
Concert Airlaid Ltée. 1680 Rue Atmec Gatineau, Québec Canada	Owned	310,000	Manufacturing facility for Air-laid
Concert ACI Inc. 2509 Clements Ferry Road Charleston, SC United States	Leased[(4)]	50,000	Manufacturing facility for Air-laid

(1) The lease in respect of these premises expires October 31, 2004.
(2) The lease in respect of these premises expires December 31, 2003.
(1) The lease in respect of these premises is a month-to-month lease.
(2) The lease in respect of these premises expires December 31, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

The following is a summary of certain selected consolidated financial information which is qualified by the more detailed information appearing in the financial statements included in this prospectus.

Selected Consolidated Financial Information

Our fiscal period ends on December 31 of each year. The most current financial statements included in this prospectus are for the interim period ended September 30, 1999, being the first nine months of our current fiscal year. The following is a summary of certain selected financial information:

Income Statement and Cash Flow Data

(in thousands, except per share data)

	9 Months ended September 30,		12 Months ended December 31,			10 Months ended December 31,	12 Months ended February 29,
	2000	**1999**	**1999**	**1998**	**1997**	**1996[(1)]**	**1996**
	(unaudited)						
Sales	$ 62,664	$ 32,848	$ 47,658	$ 12,672	$ 7,938	$ 6,063	$ 5,283
Cost of Sales	43,283	21,883	31,778	8,053	5,427	4,017	4,229
Gross Margin	19,381	10,965	15,881	4,619	2,511	2,046	1,054
Margin	30.9%	33.4%	33.3%	36.5%	31.6%	33.7%	20.0%
Selling, Marketing and Administration Expenses[(2)]	6,425	4,773	6,854	2,164	1,883	1,513	2,655
Gain or Settlement of Debt	-	-	-	-	-	116	-
Write Down of Investment	106	-	-	314	-	-	-
Foreign Currency Exchange Gain (loss)	136	157	178	204	(43)	-	-

Income Statement and Cash Flow Data

(in thousands, except per share data)

	9 Months ended September 30,		12 Months ended December 31,			10 Months ended December 31,	12 Months ended February 29,
	2000	1999	1999	1998	1997	1996[(1)]	1996
	(unaudited)						
EBITDA	12,986	6,349	9,205	2,345	585	649	(1,601)
Margin	20.7%	19.3%	19.3%	18.5%	7.4%	10.7%	(30.3%)
Depreciation and Amortisation	2,545	1,682	2,518	430	534	421	493
Interest	1,814	1,118	1,510	454	383	431	522
Non-Controlling Interest	1,013	(315)	(311)	-	-	-	-
Income Taxes	1,931	-	100				
Net Income (loss)	5,683	3,864	5,388	1,461	(332)	(203)	(2,616)
Margin	9.1%	11.8%	11.3%	11.5%	(4.2%)	(3.3%)	(49.5%)
Income (loss) per Common Share:							
Basic	$ 0.37	$ 0.42	$ 0.55	$ 0.18	$ (0.04)	$ (0.03)	$ (0.36)
Fully Diluted[(2)]	$ 0.25	$ 0.22	$ 0.30	$ 0.15	$ (0.04)	$ (0.03)	$ (0.36)
Number of Common Shares Outstanding at End of Period							
Basic[(3)(4)]	16,574	9,335	13,880	9,059	7,981	7,773	29,021
Fully Diluted[(2)]	26,257	17,484	22,063	17,098	10,491	10,606	32,493
Cash Generated from (used in)							
Operating Activities	$ 8,463	$ 4,350	$ 8,687	$ (1,246)	$ 634	$ 304	$ (2,261)
Net Capital Expenditures[(5)]	61,176	21,374	33,895	6,404	7,705	18,670	76

---

(1) During 1996 we changed our fiscal year end from February 29 to December 31, consequently the financial results for the period ended December 31, 1996 are for a ten month period.

(2) Includes fixed manufacturing, product development and overhead expenses, administration, expenses and selling and marketing expenses as per the financial statements.

(3) As at the date of this prospectus, there were stock options, convertible debentures, warrants and other agreements (including the Special Warrants and the Agents' Options) under which up to 12,433,841 Common Shares may be issued. See "Options to Purchase and Agreements to Issue Securities".

(4) As at November 30, 2000 there were 17,342,242 Common Shares issued and outstanding. Upon the successful completion of this Offering, a total of 20,642,242 Common Shares will be issued and outstanding. If all of the Agents' Options are exercised, 20,807,242 Common Shares will be issued and outstanding.

(5) Net of government grants received during this period.

Balance Sheet Data

(in thousands)

	As at September 30,	As at December 31,	
	2000	1999	1998
	(Unaudited)		
Cash and Cash Equivalents	$ 8,764	$ 15,961	$ 4,570
Working Capital	(5,670)	6,060	2,391
Total Assets	191,146	96,852	57,951
Long Term Debt(1)	76,896	28,683	20,583
Non-Controlling Interest	22,028	6,399	8,010
Shareholders' Equity	58,969	45,276	21,974

(1) Includes the current portion of the long term debt (see Note 6 to the consolidated financial statements) and construction payables and excludes shareholder loans.

9 Month Period Ended September 30, 2000
Compared to the 9 Month Period ended September 30, 1999

Sales for the nine month period ended September 30, 2000 were $62,664,000, an increase of 91% over the nine-month period ended September 30, 1999 of $32,848,000. The increase in sales resulted primarily from the increased capacity at our German operations through the start-up of a second production line.

Gross margin increased to $19,381,000 for the nine months ended September 30, 2000 from $10,965,000 in the corresponding nine month period ended September 30, 1999. Gross margin percentage decreased from 33.4% for the nine-month period ended September 30, 1999 to 30.9% for the nine-month period ended September 30, 2000. Our overall gross margin percentage decreased primarily due to the higher costs incurred during the start-up of the second production line in the Falkenhagen plant in the first quarter of 2000. The second line is not yet operating at full capacity, nor has its manufacturing efficiencies been fully optimized.

Sales, marketing and administration expenses for the nine month period ended September 30, 2000 were $6,425,000 compared to $4,773,000 for the nine month period ended September 30, 1999. This substantial increase was predominantly due to the addition of the increased size of the German facility. Other causes of increased expenditures were higher corporate costs to manage the substantial growth during the past year and higher operational costs at our North American facility due to higher employment levels.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the nine month period ended September 30, 2000 were $12,986,000 compared to $6,349,000 for the nine month period ended September 30, 1999.

Depreciation and amortization expenses for the nine month period ended September 30, 2000 were $2,545,000 compared to $1,682,000 for the equivalent nine month period ended September 30, 1999. The significant increase in depreciation was attributable to the start-up of the second production line at the Falkenhagen plant.

Interest expense was $1,814,000 for the nine month period ended September 30, 2000 compared to $1,118,000 for the corresponding nine month period ended September 30, 1999. The increase in total interest expenses was attributable entirely to increased indebtedness in our German operations.

Net income for the nine month period ended September 30, 2000 was $5,683,000 compared to $3,864,000 for the nine month period ended September, 1999. Growth in sales was the predominant contribution towards the increase in net income. Cash flow from operations, including changes in working capital, was $8,463,000 for the nine months ended September 30, 2000 compared to cash flow used in operations of $4,350,000 for the corresponding period in 1999.

During the nine months ended September 30, 2000, we expended $61,176,000 predominantly towards the construction of the new facility in Gatineau, Québec. Compared to an expenditure of $27,792,000 for the corresponding nine month period ended September 30, 1999. To finance the current year's expenditures and to provide operational working capital, we increased our net long-term debt by $23,527,000, increased our construction payable by $9,068,000, issued share capital of $3,681,000 and received advances from our non-controlling interest in CAL in the amount of $15,200,000.

12 Month Period Ended December 31, 1999
Compared to the 12 Month Period Ended December 31, 1998

Sales for the twelve month period ended December 31, 1999 were $47,658,000, an increase of 276% over the twelve month period ended December 31, 1998 of $12,672,000. The increase in sales resulted primarily from the start-up of our production line at our facility in Falkenhagen, Germany that contributed $23,574,000 to total sales and to increased utlization of Thurso, Québec's existing capacity. During the period, North American capacity was increased as a result of efficiency gains and a modest capital investment. Due to strengthening personal care markets in the United States for our products, the increased production was readily sold.

Gross margin increased to $15,881,000 for the twelve months ended December 31, 1999 from $4,619,000 in the corresponding twelve-month period ended December 31, 1998. Gross margin percentage decreased from 36.5% for the twelve-month period ended December 31, 1998 to 33.3% for the twelve-month period ended December 31, 1999. Our overall gross margin percentage decreased due to the start-up of the Falkenhagen plant. The Falkenhagen plant completed its first full year of operations and consequently is not operating at full capacity, nor has it fully optimized its manufacturing efficiencies.

Sales, marketing and administration expenses for the twelve month period ended December 31, 1999 were $6,854,000 compared to $2,164,000 for the twelve month period ended December 31, 1998. This substantial increase was predominately due to the addition of the new German facility that added $2,905,000 to the current period expenses. Other causes of increased expenditures were higher corporate costs to manage the substantial growth during the past year, and higher operational costs at our North American facility due to higher employment levels.

The EBITDA for the twelve month period ended December 31, 1999 were $9,205,000 compared to $2,345,000 for the twelve month period December 31, 1998.

Depreciation and amortization expenses for the twelve month period ended December 31, 1999 were $2,518,000 compared to $430,000 for the equivalent twelve month period ended December 31, 1998. While depreciation increased moderately in North America due to increasing production levels (we use a unit of production depreciation method), the significant increase in depreciation was attributable to the start-up of the Falkenhagen plant.

Interest expense was $1,510,000 for the twelve month period ended December 31, 1999 compared to $454,000 for the corresponding twelve month period ended December 31, 1998. Cash flow from North American operations allowed us to substantially reduce its long-term debt within North America. The increase in total interest expense was attributable entirely to our German operations.

Net income for the twelve month period ended December 31, 1999 was $5,388,000 compared to $1,461,000 for the twelve month period ended December 31, 1998. Growth in sales was the predominant contributor towards the significant improvement in net income, which resulted in better and more efficient plant utilization. Cash flow from operations, including changes in working capital, was $8,687,000 for the twelve months ended December 31, 1999 compared to cash flow used in operations of $1,246,000 for the corresponding period in 1998.

During the twelve months ended December 31, 1999, we expended $33,895,000, net of government grants, predominately towards the expansion of the Falkenhagen plant, compared to an expenditure of $6,404,000 for the corresponding twelve month period ended December 31, 1998. To finance these expenditures and to provide operational working capital, we increased our long-term debt, net of repayments by $13,291,000, issued share capital of $20,330,000 and increased shareholder loans in the amount of $2,961,000.

12 Month Period Ended December 31, 1998
Compared to the 12 Month Period Ended December 31, 1997

Sales for the twelve month period ended December 31, 1998 were $12,672,000, an increase of 60% over the 12 month period ended December 31, 1997 sales of $7,938,000. The increase in sales was substantially attributable to a 68% increase in tonnes shipped. Such increased shipments were possible as a result of an increase in capacity of the Thurso plant. Additionally, we were successful at improving the market penetration of our products in the North American markets. We were also successful during fiscal 1998 in securing multi-year supply contracts with leading manufacturers of consumer and industrial products.

Gross margin increased for the twelve month period ended December 31, 1998 to $4,619,000 (36.5%) from $2,511,000 (31.6%) for the twelve month period ended December 31, 1997. The improvement in the gross margin percentage is attributable to increased operating efficiencies realized as a result of a 68% increase in shipments as compared to the 12 month period ended December 31, 1997. Also, a proportionately large amount of sales were destined to the North American market resulting in lower shipping, duty and other logistical expenses.

Sales, marketing and administration expenses were $2,164,000 for the twelve month period ended December 31, 1998, an increase of 15% from the expenses of $1,883,000 for the twelve months ended December 31, 1997. The increase in sales and administrative expenses were the result of higher support costs related to increased sales and higher corporate costs incurred to support our expansion in Germany.

The EBITDA for the twelve month period ended December 31, 1998 was $2,345,000 compared to $585,000 for the twelve month period ended December 31, 1997.

Depreciation and amortization expenses decreased for the twelve month period ended December 31, 1998 to $430,000 from $534,000 for the twelve month period ended December 31, 1997. During 1998, we reviewed the estimated useful life of our air-laid plant and equipment in light of our own experience and knowledge. As a result, the depreciation policy for air-laid plant and equipment was changed from a straight-line basis to a unit of production basis, effective January 1, 1998. This change was adopted prospectively.

Interest expense increased during the twelve month period ended December 31, 1998 to $454,000 from $383,000 for the twelve month period ended December 31, 1997 due to additional long term debt for our North American operations, which was incurred to finance manufacturing capacity increases.

Net income for the twelve month period ended December 31, 1998 increased to $1,461,000 (after a write down of investments of $314,000) from a net loss of $332,000 during the twelve month period ended December 31, 1997. During the twelve month period ended December 31, 1998 we capitalized the operating costs of the Falkenhagen plant, reflecting the development work necessary to bring a green field plant up to commercial standards. Cash flow used by operations for the twelve month period ended December 31, 1998 was $1,246,000 compared to cash flows from operations of $634,000 during the twelve month period ended December 31, 1997.

During the year, Concert GmbH commenced an expansion of the Falkenhagen plant. The anticipated costs of the expansion (excluding the cost of the festooning system) were DM 68,800,000. DM 10,000,000 of this amount has been financed by an equity contribution from the shareholders of Concert GmbH of which our contribution was DM 5,500,000. The balance of the funds were financed by way of a DM 25,000,000 credit facility provided by two German banks, and DM 33,800,000 from grants from the government of Germany. We have granted a guarantee in favour of bank lenders in respect to the payment of an aggregate of DM 5,000,000 of the credit facility. The credit facility is also subject to a guarantee by the government of Germany for 80% of the loan amount. The government grants given in connection with the expansion are subject to Concert GmbH hiring and maintaining certain employment levels at that facility. An additional DM 7,500,000 have been arranged by Concert GmbH shareholders and their respective subsidiaries to finance the installation of a festooning system. A pro rata amount of the government grants will be repayable if Concert GmbH fails to meet the employment targets.

In order to restructure debt and to finance our DM 5,500,000 contribution towards the expansion of the Falkenhagen plant, we raised approximately $13,335,000 through a private placement of convertible debentures (see “Options to Purchase and Agreements to Issue Securities”) and $2,338,000 through the issuance of Common Shares.

12 Month Period Ended December 31, 1997
Compared to the 10 Month Period Ended December 31, 1996

Sales for the twelve month period ended December 31, 1997 were $7,938,000 compared to $6,063,000 for the 10 month period ended December 31, 1996, a proportional increase of 9.1%. This increase was primarily attributable to increased North American shipments and better penetration of our products into the personal hygiene markets. Gross margin increased during the twelve month period ended December 31, 1997 to $2,511,000 (31.6%) from $2,046,000 (33.7%) in the ten month period ended December 31, 1996. The deterioration of the gross margin percentage was due to fluff pulp price increases. While selling prices were eventually increased to reflect these higher costs, delays in implementing the increases were reflected in lower margins.

Sales, marketing and administration expenses increased from $1,513,000 for the ten month period ended December 31, 1996 to $1,883,000 for the twelve month period ended December 31, 1997, a proportional increase of 3.7%. This increase in sales and administration expenses was caused by higher sales and marketing costs related to a broadening geographic emphasis, but more importantly to growing corporate costs relating to our initial expansion into Germany.

The EBITDA for the twelve-month period ended December 31, 1997 was $585,000 compared to $649,000 for the ten-month period ended December 31, 1996.

Depreciation and amortization expenses for the twelve-month period ended December 31, 1997 were $534,000, compared to $421,000 for the ten-month period ended December 31, 1996. Interest expenses for the twelve-month period ended December 31, 1997 were $383,000, compared to $431,000 for the ten-month period ended December 31, 1996.

Our net loss for the twelve month period ended December 31, 1997 was $332,000 compared to a net loss of $203,000 for the ten month period ended December 31, 1996. Cash flow from operations was $634,000 for the twelve month period ended December 31, 1997 compared to $304,000 for the ten month period ended December 31, 1996.

During the twelve-month period ended December 31, 1997, we incurred net capital expenditures of $7,705,000 in connection with the completion of the Falkenhagen plant and the capacity expansion at the Thurso plant. These capital expenditures were funded in part by the issuance of $4,497,000 in convertible debentures (see "Options and Other Agreements to Issue Securities – Convertible Debentures") and an increase in long term debt of $9,370,000 over the period to $20,732,000. As at December 31, 1997 we had received a total of $18,337,000 in non-repayable grants.

Capital Resources and Liquidity

Since our inception, our capital resources have been limited. In addition to having to rely upon cash generated from operations, we have had to rely upon the sale of equity and debt securities for cash required for administration, research and development, capital improvements and acquisitions, sales and marketing programs and advertising, among other things.

We have been profitable since December 31, 1997.

In the nine month period ended September 30, 2000, we generated cash from operating activities of $8,463,000, investing activities used $65,452,000, while financing activities provided $49,874,000 resulting in us having a cash balance as at September 30, 2000 of $8,764,000.

The investing activities related primarily to the construction of the new facility at Gatineau, Québec.

During the nine-month period ended September 30, 2000, funds were provided through the following: a net increase in long term debt of $23,527,000, an increase in Gatineau construction payables of $9,068,000, the issuance of 581,000 Common Shares pursuant to the public issue of stock of $2,589,000, the issuance of 167,286 Common Shares in a private placement for gross proceeds of $752,787, issuance of 120,000 Common Shares pursuant to the exercise of stock options for proceeds of $228,000 and the issuance of 47,740 Common Shares pursuant to our Employee Share Ownership Plan resulting in proceeds of $221,890.

We have current obligations to repay certain long-term debt and to complete our expansion in Gatineau. Scheduled principal repayments on long-term debt for the balance of the 2000 fiscal year and the 2001 fiscal year are $9,311,000, which will be funded from cash flow from operations. We have obligations of approximately $67,234,000 with respect to the expansion in Gatineau, which will be funded from our cash position and the balance through our available bank debt of approximately $70,000,000. We also record as a current obligation the demand shareholder loans due to the minority shareholders of Concert GmbH. Although these loans are demand loans, they are not expected to be repaid within the next year.

While there are presently no known specific trends, events or uncertainties that are likely to result in our liquidity decreasing in any material way over the next twelve month period, there can be no assurance that cash generated from operations over this period will be sufficient to meet our cash requirements. If cash flow is insufficient to cover cash expenditures, we will have to continue to rely upon equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to us in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to us. Other than as described under "Our Business – Manufacturing Facilities – Gatineau, Québec, Canada" and "Use of Proceeds", we do not have any commitments for material capital expenditures over either the near or long term and none are presently contemplated over normal operating requirements.

As at November 30, 2000 we had 1,922,249 stock options outstanding which are exercisable at prices between $2.00 and $5.53 per share, 250,000 warrants outstanding which are exercisable at a price of $2.20 per share, 157,805 brokers' warrants at an exercise price of $4.75, 83,643 warrants outstanding which are exercisable at $6.00, 3,300,000 Special Warrants outstanding which are exercisable for no additional consideration and an Agents' Special Option exercisable for no additional consideration into 165,000 Agents' Options each of which is exercisable at $5.50. We have allocated 2,189,866 Common Shares for conversion under convertible debentures at an exercise price of US$4.14 and 4,365,278 under convertible debentures at an exercise price of $2.30. We have allocated 300,000 Common Shares for purchase under our Employee Share Purchase Plan of which 218,115 are issued. Of these shares, 81,885 remain eligible for issuance. If all of the stock options, warrants, Special Warrants and Agents' Options are exercised, we would receive proceeds of $27,911,587. Any shares issued under the Employee Share Ownership Plan would yield further proceeds, the amount of which cannot be determined at this time. All of these funds would be available to us as working capital. See also "Options to Purchase and Agreements to Issue Securities".

PLAN OF DISTRIBUTION

This prospectus is being filed to qualify the distribution of 3,300,000 Common Shares to be issued without payment of further consideration upon the exercise or deemed exercise of 3,300,000 previously issued Special Warrants and the 165,000 Agents' Options to be issued pursuant to the exercise of the Agents' Special Options. Any Common Shares or Agents' Options issued before a receipt is issued for the final prospectus may be subject to resale restrictions under applicable securities legislation. No additional fee is payable on the exercise of any of the Special Warrants.

The Special Warrants were sold under an Agency Agreement dated November 14, 2000, among Loewen, Ondaatje, McCutcheon Limited, National Bank Financial Inc. (collectively, the "Agents") and the Company to purchasers under prospectus exemptions in accordance with applicable securities legislation in the provinces of British Columbia, Alberta, Ontario and Québec at a price of $5.50 per Special Warrant. We paid a fee equal to 6.0% of the gross proceeds to the Agents on the sale of the Special Warrants and, as additional consideration for their services in selling the Special Warrants, issued to them the Agents' Special Options. The terms of the Agents' Special Options provide that they can be exercised for no additional consideration for 165,000 Agents' Options. Each Agents' Option permits the holder to purchase one Common Share at a price of $5.50 per share on or before December 31, 2001. The expenses from the issuance of the Special Warrants and the Offering, including the preparation of this prospectus, are estimated at $150,000 and will be borne by the Company.

The Special Warrants were issued in registered form under, and are governed by, the Special Warrant Indenture made as of November 14, 2000 among the Trustee and the Company. Each Special Warrant is, subject to adjustment in certain circumstances, exchangeable upon exercise or deemed exercise for one Common Share.

The Special Warrants may be exercised on or before 4:30 p.m. (Vancouver time) on the earlier of (i) the fifth business day on which the last of the receipts are issued for a final prospectus by the securities commissions in the provinces of British Columbia, Alberta, Ontario and Québec (the "Final Receipt Date") and (ii) November 14, 2001 (the "Expiry Date"). Any Special Warrants not exercised by the Expiry Date will be deemed to be exercised immediately before the expiry thereof. In the event the Final Receipt Date has not occurred on or before 5:00 p.m. (Vancouver time) on February 12, 2001, each holder of Special Warrants will be entitled upon exercise or deemed exercise of the Special Warrants and without payment of additional consideration therefor to receive 1.1 Common Shares per Special Warrant in lieu of 1 Common Share.

The gross proceeds of $18,150,000 (less $3,000,000 retained by the Company on November 14, 2000 and less payment of $1,112,967.09 in Agents' Commission and expenses) (the "Escrow Funds") raised on the issue and sale of the Special Warrants were delivered to and are being held in escrow by the Trustee in accordance with the terms of the Special Warrant Indenture.

The Escrow Funds or a portion thereof, including interest earned thereon, will be released to us by the Trustee within two business days after the Trustee receives notice from us advising the Trustee that:

(a) the Final Receipt Date has occurred;

(b) we have executed a definitive acquisition agreement for the purchase of an 18.24% or greater minority interest in Concert GmbH (the "Proposed Acquisition") and require the Escrow Funds to complete the Proposed Acquisition but only to the extent all or such portion of the Escrow Funds are required by us to complete the Proposed Acquisition; or

(c) otherwise in accordance with the provisions of the Special Warrant Indenture.

The Special Warrant Indenture provides that the number and kind of securities issuable on the exercise or deemed exercise of the Special Warrants will be subject to adjustment in the event of certain corporate actions, including a subdivision or consolidation of our outstanding Common Shares, a distribution of rights, options or warrants to all or substantially all of the holders of Common Shares and certain types of capital or corporate reorganizations.

We have covenanted under the Special Warrant Indenture that, among other things, it will use reasonable best efforts to expeditiously obtain receipts for a final prospectus from the securities commissions in the provinces of British Columbia, Alberta, Ontario and Québec for the purpose of qualifying the distribution of the Common Shares issuable upon exercise or deemed exercise of the Special Warrants.

National Bank Financial Inc., one of the Agents, is a wholly-owned subsidiary of the Lead Bank. The Company and certain of its subsidiaries were indebted to the Lead Bank for approximately $12,877,000 as of November 30, 2000 under various credit facilities. The Company and its subsidiaries are in compliance with such credit facilities. Under applicable securities legislation, the Company is therefore a connected issuer of this Agent. The net proceeds of this issue will not be applied to reduce the outstanding indebtedness to the Lead Bank. The decision to distribute the Common Shares offered hereby and the determination of the terms of the Offering were made through negotiation between the Company and the Agents. The Lead Bank did not have any involvement in such decision or determination. None of the Agents will receive any benefit from this Offering other than its proportionate share of the Agents' Commission and the Agents' Special Options on the sale of the Special Warrants. Loewen, Ondaatje, McCutcheon Limited has acted as an independent Agent in connection with this Offering and, in that capacity, has (i) participated in due diligence meetings with the Company and its representatives relating to this prospectus; (ii) reviewed this prospectus and in the course of such review proposed such changes to this prospectus as it considered appropriate; and (iii) participated in establishing the price at which the Common Shares are to be offered.

The Special Warrants and the Common Shares issuable upon the exercise or deemed exercise of the Special Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the

"U.S. Securities Act"), and, subject to certain exceptions, may not be offered or sold directly or indirectly, within the United States unless registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or unless an exemption from such registration requirements is available. A portion of the Special Warrants were offered and sold in the United States by a United States affiliate of one of the Agents to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to accredited investors, on a substituted purchaser basis, in reliance on Rule 506 of Regulation D under the U.S. Securities Act. Each Agent agreed that it will not offer for sale or sell or deliver such Special Warrants or Common Shares upon the exercise or deemed exercise of the Special Warrants within the United States except in accordance with Rule 144A and/or Regulation D under the U.S. Securities Act and only if permitted by the Agency Agreement. In addition, until 40 days after November 14, 2000, any offer or sale of Special Warrants within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

We have agreed not to issue any Common Shares or any securities which are convertible into or exchangeable for or exercisable into Common Shares, other than issuances under existing employee stock option or purchase plans, as a result of the exercise of currently outstanding share purchase warrants or options, pursuant to any existing agreement under which we are required to do so or in connection with an acquisition of a further interest in Concert GmbH, for a period commencing on October 6, 2000 and ending 90 days from the Final Receipt Date, without the prior written consent of the Agents.

DILUTION

The following sets forth the dilution per share (as at September 30, 2000) after giving effect to this Offering:

Offering price per Common Share:		$5.50
Net tangible book value before the Offering:	$1.67	
Increase in net tangible book value attributable to the Offering:	0.57	
Net tangible book value after the Offering:	2.24	2.24
Dilution to investor:		$3.26
Dilution to investor (as a percentage of the offering price):		59.27%

There are a number of outstanding securities and agreements pursuant to which Common Shares may be issued in the future. If these shares are issued, this will result in further dilution to the Company’s shareholders. See “Options to Purchase and Agreements to Issue Securities”.

CONSOLIDATED CAPITALIZATION

The following represents our consolidated capitalization as of the date indicated, both before and after this Offering.

Designation of Shares/ Indebtedness	Outstanding on December 31, 1999 (audited)	Outstanding on November 30, 2000 (unaudited)	As at November 30, 2000 after giving effect to this Offering (unaudited)
DEBT			
Long-term debt(1)	$28,682,570	$90,639,830	$90,639,830
Shareholder loan(2)	5,173,791	4,868,125	4,868,125
Demand Loan(3)	1,100,224	8,667,122	8,667,122
TOTAL DEBT	$34,959,585	$104,175,077	$104,175,077
Non-controlling interest(4)	$6,398,924(7)	$22,386,607	$22,386,607
SHAREHOLDERS' EQUITY			
Preferred shares			
(Authorised: unlimited)	-	-	-
Common shares			
(Authorised: unlimited)(5)	$40,254,108	$50,491,768	67,051,998
	(13,880,656 Shares)	(17,342,242 Shares)	(20,642,242 Shares)
Convertible Debentures(6)	$13,568,367	$9,530,452	$9,530,452
Retained earnings (Deficit)	$(5,807,269)(7)	$637,409	$637,409
Cumulative translation adjustment	$(2,739,180)	$(4,258,070)	$(4,258,070)
TOTAL SHAREHOLDERS' EQUITY	$45,276,026	$56,401,559	$72,961,789
TOTAL CAPITALIZATION	$86,634,535	$182,963,243	$199,523,473

(1) Includes the current portion of long-term debt and construction payables. As at November 30, 2000 long-term debt included:

(a) A DM 5,000,000 term loan from the Government of Germany to Concert GmbH which is repayable over a ten year period commencing in 2006 if our operations in Germany achieve profitability or a cumulative operating surplus. The loan bears interest at 6.6% per annum. See Note 4 to the financial statements.

(b) A DM 8,308,000 loan owed by Concert GmbH to a syndicate of European banks. The loan is repayable over a five year period ending June 30, 2003. Interest is payable at annual rates ranging from 4.3% to 4.64%. The loan is secured by a first charge over the assets of Concert GmbH.

(c) A DM 2,385,000 loan owed by Concert GmbH to a syndicate of European banks. The terms of repayment are renegotiated annually. As at December 31, 1998 the loan bore interest at a rate of 4.08%. The loan is secured by a first charge over the assets of Concert GmbH.

(d) A DM 22,522,196 loan owed by Concert GmbH to a syndicate of European Banks. The loan is repayable in 2004 and principal repayments commence in June 2000. Interest is payable at annual re-negotiated rates (presently at 6.04%). The loan is secured by a first charge over the assets of Concert GmbH.

(e) A DM 2,057,510 loan owed by Concert GmbH to a German Bank. The loan is due December 31, 2002, bearing interest at annual rates (presently ranging from 5.19% to 5.60%) with quarterly payments of $121,271. The loan is secured by a first charge on assets of Concert GmbH.

(f) A $3,645,059 loan owed by CFL to Investissement Québec, due May 15, 2007, non-interest bearing secured by a second rank mortgage on the assets of Concert Fabrication Ltée. Annual repayments will start during 2003 and will be based on minimum variable percentages of the Company's earnings before interest, taxes, depreciation and amortization subject to a minimum payment of $1,250,000.

(g) A $5,000,000 loan owed to SGF Rexfor Inc. Loan consists of unsecured debentures bearing interest at 15% annually. Principal repayments can be made prior to the maturity date of July 7, 2006 without penalty.

(h) A $11,571,432 Investissement Québec loan, non-interest bearing, secured by a second rank mortgage on the assets of CAL. Annual repayments will start during 2003 and will be based on variable percentages of our earnings before interest, taxes, depreciation and amortization subject to a minimum payment of $3,000,000.

(i) A US$9,066,045 Convertible Debenture to former shareholders of ACI, these subordinated loans bear interest at 8% annually commencing May 31, 2002 and are due on May 31, 2008. We have the option under certain conditions to redeem and/or force conversion of the debentures after May 31, 2002. The debentures may be converted at the option of the holders at $6.00 per share.

(j) A US$6,750,000 Bank of Austria term loan repayable in fifteen quarterly instalments commencing July 1, 2001, interest at LIBOR plus 2.75% and is secured by a first priority lien over the assets of ACI.

(k) A US$1,500,000 term loan bears interest at a rate, which is the greater of (a) 100 basis points above the rate payable pursuant to the terms of the loan and security agreement with the Bank of Austria or (b) 10% principal is due on December 31, 2004. Loan is secured by a second charge on the assets of ACI.

(l) A $7,855,000 loan owed by CAL to National Bank of Canada bearing interest at prime Canadian Chartered Bank rate plus 1¼% secured by a first rank charge on the assets of CAL.

(m) A $3,672,000 loan owed by CFL to National Bank of Canada bearing interest at prime Canadian Chartered Bank rate plus 1¼% secured by a first rank charge on the assets of CFL.

(2) The shareholder loans represent advances by the non-controlling interests in Concert GmbH. The amounts advanced bear interest at 8.0% per annum, are unsecured and are due within the current fiscal year.

(3) The demand loans are as follows:

(a) A bank demand loan totalling $800,000 bearing interest at bank prime plus ¼% and is secured by accounts receivable and inventory of Concert Fabrication Ltée.

(b) Drawing under outstanding lines of credit totalling $7,097,083 (DM 10,416,973). These lines of credit bear interest at rates ranging from 8% - 10.75% and are secured by the assets of Concert GmbH.

(c) A revolving loan totalling $1,420,039 (US$934,236) as at November 30, 2000. This loan is payable on demand, bears interest at the U.S. prime rate plus 0.75% and is secured by a first priority loan over the assets of ACI.

(4) The non-controlling interest represents the equity investments of the non-controlling shareholders of Concert GmbH.

(5) As at the date of this prospectus, the Company has a number of securities outstanding and is party to a number of agreements (including the Special Warrants and the Agents' Options) which could result in the issuance of up to 12,433,841 additional Common Shares. See "Options to Purchase and Agreements to Issue Securities".

(6) Net of unamortized issue costs. See "Options to Purchase and Agreements to Issue Securities – Convertible Debentures" and Note 7 to financial statements.

See also "Management's Discussion and Analysis of Operating Results".

USE OF PROCEEDS

No proceeds will be received by us from the issue of Common Shares upon the exercise or deemed exercise of the Special Warrants. We received gross proceeds of $18,150,000 upon the issuance of the Special Warrants, which proceeds less $1,089,000 in Agents' Commissions (the "Net Proceeds") and less $3,000,000 paid to the Company on November 14, 2000 and less $3,967.09 in Agents' expenses (the "Escrow Proceeds") are being held by the Trustee in escrow pursuant to the Special Warrant Indenture. When the Escrow Proceeds are released from escrow, the Escrow Proceeds to us from the Offering will be $17,057,032.91 plus accrued interest.

The Net Proceeds of $17,061,000 from the issue and sale of the Special Warrants, will be used to:

(a)	pay the expenses of this Offering:	$150,000
(b)	purchase an 18.24% or greater interest in Concert GmbH, our 55% owned subsidiary, from GEA:	10,000,000
(c)	advance funds to Concert GmbH to repay the GEA shareholder account:	3,000,000
(d)	general corporate purposes:	3,911,000
		$17,061,000

We are currently negotiating with GEA for the purchase of an 18.24% or greater interest in Concert GmbH (the "Proposed Acquisition") under our call option rights with GEA. See "Our Business – Manufacturing Facilities – Falkenhagen, Brandenburg, Germany". There can be no assurances that the Proposed Acquisition will close on commercially reasonable terms, or at all. If we fail to complete the Proposed Acquisition then we will review our options regarding the use of proceeds. We expect that in such case, the proceeds allocated to the Proposed

Acquisition may be used for additional expansion of existing facilities, strategic acquisitions, to repay some long-term debt and for general corporate purposes.

We have allocated funds available to us on the completion of this Offering to further our business objectives as set out in “Description of Business”. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for us to achieve our business objectives.

SHARE AND LOAN CAPITAL

Our authorised share capital consists of an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares without par value. As of November 30, 2000, the Company had a total of 17,342,242 Common Shares issued and outstanding and no Preferred Shares issued and outstanding. All of our issued Common Shares are fully paid and are not subject to any future call or assessment.

All of our Common Shares rank equally as to voting rights, participation in a distribution of our assets on a liquidation, dissolution or winding-up of us and entitlement to dividends. The holders of the Common Shares are entitled to receive notice of all meetings of shareholders and to attend and vote the shares at the meetings. Each Common Share carries with it the right to one vote.

In the event of our liquidation, dissolution or winding-up, or other distribution of the Company’s assets, the holders of the Common Shares will be entitled to receive, on a pro rata basis, all of our remaining assets after the Company has paid out its liabilities and distributed assets to any holders of Preferred Shares, if any, which may rank in priority to the Common Shares. Distribution in the form of dividends, if any, will be set by the board of directors. For particulars on our dividend policy, see “Dividend Record and Policy”.

The Preferred Shares are issuable in series and, if created, will rank prior to the Common Shares with regard to payment of dividends and the distribution of our assets or property in the event of our liquidation, dissolution or winding-up. The rights attached to the Preferred Shares permit our directors to issue shares of that class in one or more series. The directors may fix the number, determine the designation of and define and attach further special rights and restrictions to such shares of any particular series, in addition to those applying generally to all shares of that class. The directors may attach rights, including redemption, retraction, subscription, conversion or exchange rights or restrictions on our ability to issue, redeem or purchase our shares or incur indebtedness.

On July 26, 1996, the Company consolidated its then issued and outstanding Common Shares on the basis of four (4) pre-consolidated Common Shares for one (1) post-consolidated Common Share.

Provision as to the modification, amendment or variation of the rights attached to the Common Shares are contained in our Articles of Incorporation and the *Canada Business Corporations Act*. Generally speaking, substantive changes to the share capital require the approval of the shareholders by special resolution (at least 66-2/3% of the votes cast).

PRIOR ISSUANCES OF SHARES

As at September 30, 1999, we had a total of 9,334,972 Common Shares issued and outstanding. Since that date through to November 30, 2000, we issued a total of 8,007,270 Common Shares for aggregate consideration of $25,733,024. These shares were issued pursuant to a prospectus offering, convertible debentures, private placements, the exercise of stock options and the issuance of shares under our employee share purchase plan. The particulars of these transactions are summarised below:

1. We issued a total of 347,286 Common Shares for aggregate consideration of $716,954 pursuant to the exercise of stock options/stock appreciation rights. Of these shares, 239,000 shares were issued pursuant to the exercise of stock options: $2.12 as to 60,000 shares, $2.00 as to 10,000 shares, $2.00 as to 10,000 shares, $2.12 as to 60,000 shares, 2.25 as to 49,000 shares, $1.29 as to 120,000 shares. We also issued 108,286 Common Shares pursuant to the exercise of SAR’s: $5.00 as to 4,605 shares, $4.58 as to 8,777

shares, \$5.40 as to 11,818 shares, \$5.50 as to 12,009 shares, \$5.52 as to 876 shares, \$5.55 as to 12,870 shares and \$5.69 as to 822 shares.

2. We issued a total of 54,024 Common Shares pursuant to our employee share purchase plan for aggregate consideration of \$253,310. These shares were issued at the following prices: \$2.68 as to 4,316 shares, \$3.00 as to 37,182 shares, \$3.60 as to 2,284 shares, and \$5.50 as to 820 shares.

3. On October 26, 1999, we issued 108,695 Common Shares at a price of \$2.30 per share for aggregate consideration of \$249,998. The Common Shares were issued upon the exercise of outstanding broker's warrants.

4. On December 22, 1999, we issued 4,421,100 Common Shares at a price of \$4.75 per share for aggregate consideration of \$21,000,225 pursuant to a public offering. From these proceeds, \$787,053 was paid for the underwriting commission; \$728,055 was paid for legal, printing and other costs relating to the prospectus.

5. On January 19, 2000, we issued 581,000 Common Shares at a price of \$4.75 per share for aggregate consideration of \$2,759,750 pursuant to the exercise of outstanding broker's warrants. From these net proceeds \$170,911 was paid in respect of an underwriting commission and other costs.

6. On May 31, 2000, we issued 167,286 Common Shares at a price of \$4.50 for aggregate consideration of \$752,787 pursuant to a private placement.

7. On June 1, 2000 we issued 388,810 Common Shares at a price of \$4.50 pursuant to an acquisition agreement.

8. On July 27, 2000, we issued 1,378,629 Common Shares at a price of \$2.30 pursuant to the conversion of \$3,170,846 of convertible debentures. Related unamortized issue costs of \$178,600 have been off set against the principal amount converted.

9. On October 24, 2000, we issued 560,440 Common Shares at a price of \$2.30 pursuant to the conversion of \$1,289,012 of convertible debentures. Related unamortized issue costs of \$72,600 have been off set against the principal amount converted.

TRADING HISTORY

Our Common Shares were listed on the TSE on August 25, 1999. The closing price of our Common Shares on the TSE on December 21, 2000 was \$5.70. Our Common Shares were listed on the Montreal Exchange until December 3, 1999. The following summarizes the high and low closing price and the aggregate volume of trading of the Common Shares on: (a) the Montreal Exchange, for the period prior to August 25, 1999; (b) the TSE and the Montreal Exchange, for the period from August 25, 1999 to December 3, 1999; and (c) the TSE, for the period since December 3, 1999.

Calendar Period		High (\$)	Low (\$)	Volume
2000	December 1 – 21	5.75	5.60	123,968
	November	5.70	5.45	448,114
	October	5.65	5.20	120,814
	3rd Quarter	5.90	4.85	1,116,005
	2nd Quarter	5.35	3.90	519,410
	1st Quarter	5.00	4.05	1,264,720
1999	4th Quarter	5.25	4.70	452,044
	3rd Quarter	5.60	4.25	629,668
	2nd Quarter	4.50	2.75	915,375
	1st Quarter	3.20	2.75	643,439

Calendar Period		High ($)	Low ($)	Volume
1998	4th Quarter	3.15	2.00	198,825
	3rd Quarter	3.05	1.75	366,332
	2nd Quarter	3.40	1.85	326,211
	1st Quarter	2.50	1.85	274,600

OPTIONS TO PURCHASE AND AGREEMENTS TO ISSUE SECURITIES

We have granted a number of stock options, issued a number of warrants and entered into a number of agreements pursuant to which, as at the date of this prospectus, up to 12,433,841 Common Shares may be issued in the future. The following is a brief summary of these stock options, warrants and agreements.

Stock Options

All stock options are granted under our stock option plan (the "Plan") which was originally approved by our shareholders on June 15, 1995. The Plan was amended to comply with the requirements of the TSE and also amended in 2000 to increase the number of shares reserved under the Plan to 3,000,000. These amendments were ratified and approved by shareholders on June 13, 2000. Under the Plan our directors, officers and employees and our subsidiaries ("Eligible Persons") may be granted options to purchase Common Shares. Outside directors are limited to an annual grant of 8,000 incentive stock options.

The Plan is administered by our board of directors (or a Committee thereof). The directors determine the Eligible Persons who may be granted options under the Plan and the number and exercise price of Common Shares, which may be purchased under options to be granted to such persons. The Plan provides that the exercise price of any Common Shares which may be issued upon the exercise of an option granted under that Plan is an amount not less than the weighted average trading price of the shares on the TSE for the five days preceding the date of grant. The Administration Committee recently determined that this shall be done by a calculation of the volume of each trade for each of the five trading days. Options granted under the Plan will be for a term not to exceed five years from the date of their grant. An option will be exercisable until the earlier of the expiry date as determined by the board of directors at the time the option is granted and the date which is 30 days following the date the optionee ceases to be an Eligible Person. If a director is forced to resign or is removed by a special resolution, or if a senior officer or other employee is dismissed for cause, their unvested options will expire on the date of resignation, removal or dismissal, as the case may be.

The options will be adjusted accordingly in the event of a share consolidation or subdivision or other similar changes to our share capital.

No financial assistance is provided by the Company in connection with the exercise of any options granted under the Plan. The Plan also permits the Company to grant share appreciation rights ("SARs") to Eligible Employees in conjunction with options. Any such SARs may be exercised by surrendering an accompanying exercisable option for an equivalent number of Common Shares. Upon such exercise we may settle the SAR in cash or by applying the amount payable towards the purchase of Common Shares at the then current market price. The Company has granted SARs in conjunction with all options which are outstanding as at the date of this prospectus.

The Plan provides for the grants of options to acquire a maximum of 3,000,000 Common Shares. As at November 30, 2000 there were options outstanding to purchase up to 1,922,249 Common Shares. As a result of prior grants of stock options we may only grant options to purchase an additional 494,513 Common Shares under the Plan.

The aggregate number of Common Shares which may be reserved for issue to any one person under the Plan may not exceed 5% of the total number of outstanding Common Shares on a non-diluted basis.

The following table sets out the number of Common Shares reserved for issuance under Options granted under our Plan which are outstanding as at November 30, 2000 the date of this prospectus:

Optionees	Exercise Price	Expiry Date (D/M/Y)	Shares Under Option
Executive Officers of the Company (4 persons)	$2.12	09/04/01	190,000
	$2.18	11/09/03	289,128
	$2.25	20/02/01	122,667
	$5.00	01/01/03	170,000
	$5.11	01/08/03	100,000
	$5.22	01/09/05	100,000
	$5.53	01/09/04	100,000
			1,071,795
Executive Officers of Subsidiaries (3 persons)	$2.12	09/04/01	18,750
	$2.25	20/02/01	5,000
	$3.00	08/01/04	45,000
	$4.50	31/05/05	50,000
			118,750
Directors of the Company (other than Executive Officers) (5 persons)	$2.25	20/02/01	25,000
	$4.36	01/04/03	60,662
	$4.55	14/06/03	40,000
			125,662
Employees of the Company (7 persons)	$2.18	11/09/01	10,000
	$2.25	20/02/01	75,000
	$4.36	01/04/03	24,000
	$4.90	04/01/03	1,500
	$4.50	01/06/03	20,000
	$5.50	08/01/04	30,000
			160,500
Employees of Subsidiaries (49 persons)	$2.12	09/04/01	26,250
	$2.18	11/09/01	667
	$2.40	02/11/03	50,000
	$3.00	15/06/01	19,000
	$3.00	31/08/01	625
	$3.00	08/01/04	12,500
	$3.00	08/02/02	2,500
	$3.35	12/05/02	55,000
	$4.50	31/05/05	85,000
	$4.60	08/01/03	45,000
	$4.90	04/01/03	35,000
	$4.90	15/02/03	25,000
	$5.11	01/08/03	5,000
	$5.50	08/01/03	39,000
	$5.50	08/01/04	45,000
			445,542
Total:			1,922,249

Warrants

On July 17, 1998, we issued a Common Share purchase warrant entitling the holder to purchase up to 250,000 Common Shares at a price of $2.20 per share until April 17, 2001. The warrant includes conventional anti-dilution provisions for such things as share consolidations, or subdivisions, amalgamation, merger or other reorganization of the Company. The warrant was issued as a bonus in connection with an unsecured loan made to us by Mr. Dieter Peter, the Chairman and Chief Executive Officer. See "Directors and Officers – Related Party Transaction".

On December 13, 1999, we issued brokers' warrants entitling the holder to purchase up to 157,805 Common Shares at a price of $4.75 per share until December 13, 2001.

On May 31, 2000, we issued a common share purchase warrant entitling the holder to purchase up to 83,643 Common Shares at a price of $6.00 per share until May 31, 2002.

On November 14, 2000, we issued 3,175,000 special warrants entitling the holders to acquire, subject to adjustment in certain circumstances, 3,175,000 Common Shares for no additional consideration. See "Plan of Distribution".

On November 14, 2000, we issued an Agents' Special Option entitling the holders to acquire, subject to adjustment in certain circumstances, 158,750 Agents' Options. Each Agents' Option entitles the holder the purchase one Common Share at a price of $5.50 until December 31, 2001. See "Plan of Distribution".

On December 12, 2000, we issued 125,000 special warrants entitling the holders to acquire, subject to adjustment in certain circumstances, 125,000 Common Shares for no additional consideration. See "Plan of Distribution".

On December 12, 2000, we issued an Agents' Special Option entitling the holders to acquire, subject to adjustment in certain circumstances, 6,250 Agents' Options. Each Agents' Option entitles the holder to purchase one Common Share at a price of $5.50 until December 31, 2001. See "Plan of Distribution".

Employee Share Purchase Plan

Our Employee Share Purchase Plan (the "ESPP") was adopted by us and approved by shareholders in 1995. The ESPP was amended in 1999 to comply with the requirements of the TSE and subsequently amended in 2000 to increase the number shares reserved under the ESPP to 300,000. This amendment was approved by the shareholders on June 13, 2000. The ESPP provides for the contribution by our company of money for the purchase of Common Shares on behalf of employees of our company and our subsidiaries (the "Eligible Employees") through the registered retirement savings plans of the Eligible Employees.

The ESPP is administered by our board of directors (or a Committee thereof). The ESPP provides that we will contribute to the ESPP in respect of each Eligible Employee who elects to participate in the ESPP (a "Participating Employee") an amount in cash equal to the amount contributed by such Participating Employee to their registered retirement savings plan, to a maximum of 10% of the employee's salary or $5,000 per year. A Participating Employee may contribute through a lump-sum contribution or payroll deduction. Our contributions must be used to purchase Common Shares under the ESPP, either from treasury or in the open market, as directed from time to time by the administrator of the ESPP. Common Shares purchased from treasury pursuant to the ESPP are to be issued at a price equal to the closing trading price of the Common Shares on the TSE on the last trading day of February, May, August and November of each year.

A maximum of 300,000 Common Shares are issuable under the ESPP. Of that number, 81,885 are available for issuance in the future.

Convertible Debentures

As at November 30, 2000, $23,961,196 in aggregate principal amount of unsecured convertible debentures were outstanding. As at November 30, 2000, the Company and its wholly-owned subsidiaries have the following convertible debentures outstanding:

	Principal Amount Outstanding	Conversion Price	Shares Issued on Conversion
Concert Industries Ltd.			
Capital d'Amérique CDPQ Inc. ("CDPQ")	$6,000,000	$2.30	2,608,695
CDPQ	$2,255,495	$2.30	980,650
Manvest Inc. ("Manvest")	$1,784,647	$2.30	775,933
Concert ACI Inc.			
Airformed Security holders	US$9,066,045	US$4.14	2,189,866

Two convertible debentures are held by CDPQ as to $10,500,000 for the original principal amounts, one in the amount of $6,000,000 and another formerly in the amount of $4,500,000. The convertible debenture of $4,500,000 was reduced to $2,255,495 through conversion into Common Shares. A third convertible debenture is held by Manvest as to $4,000,000 for the original principal amount which was reduced to $1,784,647 through conversion into Common Shares. The aggregate principal amount of the CDPQ and Manvest convertible debentures outstanding as at November 30, 2000 was $10,040,142 (collectively, the "Convertible Debentures"). Other convertible debentures are held by the vendors of Airformed Composites Inc. (now ACI) (the "Airformed Debentures") and were issued in respect of our purchase of ACI. As at November 30, 2000 the aggregate principal amount of the Airformed Debentures outstanding was US$9,066,045 and they are convertible until May 31, 2008.

CDPQ and Manvest may, at any time, convert all or any part of the principal amount outstanding under the Convertible Debentures into Common Shares at a price of $2.30 per share, subject to certain customary adjustments for such things as share consolidations, share subdivisions, mergers or reorganizations of our capital. The principal amounts outstanding under the Convertible Debentures are due on September 30, 2003, if not previously converted, and may be paid in cash or, at our option, in Common Shares valued at the then prevailing weighted average market price.

In respect of the Convertible Debentures, we also have the right, exercisable in each calendar quarter after September 30, 1999, to cause the Convertible Debentures to be converted at a price of $2.30 per share, provided that (i) the Common Shares have traded for 10 consecutive trading days immediately preceding the date fixed for conversion at a price higher than the then prevailing conversion price, (ii) we have been profitable, on a consolidated basis, in at least the two previous calendar quarters immediately preceding the conversion, and (iii) no event of default under the Convertible Debentures has occurred. The number of Common Shares to be issued on each such quarterly conversion under each of the CDPQ and Manvest Convertible Debentures may not exceed the lesser of 15% of the Common Shares outstanding and 25% of the Common Shares traded on the TSE or any other recognized exchange on which the Common Shares may be listed and traded in the previous calendar quarter. We are required to exercise such right to require the holders of the Convertible Debentures to convert on a *pro rata* basis among the Convertible Debentures.

Under the terms of the acquisition of Airformed Composites Inc., we issued the Airformed Debentures to its former shareholders and debenture holders (the "Airformed Securityholders") in the amount of approximately US$9.1 million convertible into Common Shares of the Company at a rate of US $4.14 per share. The Airformed Debentures are interest free for the first two years and bear interest at 8% annual commencing May 31, 2002 and are due on May 31, 2008. The principal amount of the Airformed Debentures may be redeemed in whole, at any time after May 31, 2002 at the option of the Company at a redemption price of US$4.14 (the "Redemption Price") plus all accrued and unpaid interest and certain premiums. Notwithstanding the foregoing, a notice of redemption may be issued and we may redeem the Airformed Debentures at the Redemption Price of 106% during the year ending May 31, 2002 if, during each year, the closing price per share of our Common Shares exceeds $9.00 for any 30 consecutive trading days ending not more than 10 days prior to the date of the notice of redemption.

Except in the event that the maturity of the Convertible Debentures has been accelerated as a result of an event of default, we are not entitled to repay, in whole or in part, the principal amount owing on, or to redeem the Convertible Debentures without the prior consent of the holder thereof. In addition to the repayment of the principal amount, the holders of the Convertible Debentures will be entitled to be paid concurrently an amount in cash equal to the amount of any cash dividends or cash distributions paid on the outstanding Common Shares, on an equivalent per share basis, as if the Convertible Debentures had been converted at the time of such dividend or distribution.

In connection with the private placement of the Convertible Debentures, unless approved by two-thirds of our board of directors and the approval of each of the Convertible Debenture holders, the Company agreed not to undertake certain fundamental changes, including any substantial change in the nature of our business, the issuance of Common Shares at a price below the prevailing conversion price of the Convertible Debentures, the borrowing of secured indebtedness exceeding $4,000,000, entering into any merger, amalgamation or reorganization or sale of substantially all of our assets, the declaration of dividends or altering the remuneration of the directors or officers of the Company. As well, we agreed to nominate, and use our best efforts to elect and have elected, two nominees of CDPQ and one nominee of Manvest, to the eight member Board of directors of the Company (subject to reduction of the number of nominees in the event either party reduces their interest in the Company).

If the Convertible Debentures are fully converted, CDPQ, would receive 3,589,345 Common Shares; Manvest would receive 775,933 Common Shares and the Airformed Securityholders would receive 2,189,866 Common Shares for a total of 6,555,144 Common Shares respectively, representing 15.02%, 3.25% and 9.16%, respectively the then issued and outstanding Common Shares of the Company as at November 30, 2000.

Fully Diluted Share Capital

The following is a summary of our share capital presented on a fully diluted basis as at November 30, 2000:

Shares Issued or Allotted	Number of Shares	Percentage of Total
Issued prior to Offering:	17,342,242	57.14%
Offered under the prospectus:	3,300,000	10.87%
Reserved for future issue:	9,710,239	31.99%
Total:	30,352,481	100%

There are no assurances that the options, warrants or other rights described above will be exercised in whole or in part.

DIVIDEND RECORD AND POLICY

We have not paid any dividends since incorporation and have no plans to pay dividends in the immediate future. We expect to retain any earnings to finance further growth and, when appropriate, retire debt. We have and expect to have restrictions on our ability to pay dividends imposed by our lenders. Our directors will determine if and when dividends should be declared and paid in the future based on our financial position at the relevant time. The holders of the Preferred Shares, if any, will be entitled to receive dividends at such rate as may be determined by our directors and in priority to the payment of dividends to the holders of Common Shares. After payment of any preferential cash dividend to the holders of the Preferred Shares, the holders of Common Shares are entitled to receive dividends declared by our directors.

DIRECTORS AND OFFICERS

The following is a list of our current directors and senior officers, their municipalities of residence, their current positions with us and their principal occupations during the past five years:

Name and Municipality of Residence	Position with the Company	Principal Occupation for Previous Five Years
Dieter W. Peter[2] West Vancouver, B.C.	Chairman, Chief Executive Officer and Director	Chief Executive Officer and Chairman of the Company since 1991. Prior to September 1998 he was also President of Concert. Founded Concert in 1991.
John McNicol West Vancouver, B.C.	President and Director	President of the Company since September 1998. Until August 2000 he was also COO of Concert Industries Ltd. Mr. McNicol held a position as Vice-President Finance HSBC Securities (Canada) Inc. from 1997 to 1998. Prior to that he held various senior management positions with Merfin International Inc. including most recently President and Chief Operating Officer.
Carey E. Edwards Surrey, B.C.	Chief Financial Officer, Executive Vice-President, Secretary and Director	Chief Financial Officer, Executive Vice-President and Secretary of Concert; joined the Company in 1991.
Miles Lauzon Gatineau, Québec	Chief Operating Officer and Executive Vice-President Manufacturing, Americas and General Manager of Concert Airlaid Ltée	COO and Executive VP, Manufacturing, Americas since August 1, 2000. Prior to his appointment with Concert, Mr. Lauzon was Vice-President and General Manager of Pacifica Papers Inc. from November 1998. Prior to that position he was President and CEO of Voice Recovery Services Inc. from 1997. From 1993 to 1996 Mr. Lauzon was President of SDO, a division of QUNO Corporation.
Bayne E. Boyes[1][2] Vancouver, B.C.	Director	President, Neoventi Technology Corporation, a private investment firm, since 1992.
William P. Robinson[1][2][3] Calgary, Alberta	Director	President, Manvest Inc., an Alberta based investment firm, since 1997. Prior to that he held various finance positions with the Loram Group of Companies in Calgary, Alberta.
Louise Overbeek[1][4] St-Bruno, Québec	Director	Manager, Capital d'Amérique CDPQ Inc., a wholly-owned subsidiary of the Caisse de dépot et placement du Québec, since 1993.
Claude Perron[2][4] Verdun, Québec	Director	President, Vestra Capital Inc., a private financial consulting firm, since 1998. Prior to that he was Senior Vice-President at Midland Walwyn from 1997 to 1998 and prior to that he was in Institutional Sales at Marleau Lemire Securities.
Melvyn B. Rowles Vancouver, B.C.	Director	President, M.D. Financial Services Ltd., a management consulting firm from 1976 to present.

(1) Member of our Audit Committee.
(2) Member of our Compensation Committee.
(3) Mr. Robinson is a nominee director of Manvest. See "Options to Purchase and Agreement to Issue Securities - Convertible Debentures".
(4) Ms. Overbeek and Mr. Perron are nominee directors of Capital D'Amérique CDPQ Inc. See "Options to Purchase and Agreement to Issue Securities - Convertible Debentures".

Our independent directors are Bayne Boyes, Claude Perron and Melvyn Rowles.

Compensation of Directors

Our non-management directors are paid a per diem fee of $1,000 for attendance at our Board and/or Committee meetings. This fee includes video conference meetings and telephone conferences except where a meeting held via telephone is less than two hours in duration, in which case, the fee is reduced to $300.

In accordance with our Stock Option Plan, in consideration of his or her appointment to the board of directors, each non-management director shall be entitled to receive 8,000 incentive stock option upon his or her appointment to the Board. Thereafter, a Board member shall receive an annual grant of 8,000 incentive options in his or her anniversary of appointment, being our annual general meeting, provided that the member has attended a minimum of 50% of the Board meetings during the previous year. All incentive options granted to non-management directors are for a term of three years.

Where a director is appointed to the Board other than at the annual meeting, the member shall receive the number of options for that year prorated monthly equal to the number of months from the date of appointment to the date of our next annual general meeting.

Appointment of Directors

Our shareholders elect our directors at each annual general meeting. Our directors typically hold office until the next annual general meeting at which time they may be re-elected or replaced. Our Articles of Incorporation permit our directors to appoint directors to fill any casual vacancies that may occur on the board. The Articles also permit our directors to add additional directors to the board between successive annual general meetings so long as the number appointed does not exceed more than one-third of the number of directors appointed at the last annual general meeting. Individuals appointed as directors to fill casual vacancies on the board or added as additional directors hold office like any other director until the next annual general meeting at which time they may be re-elected or replaced.

Related Party Transaction

During the year ended December 31, 1998 a director and officer of the Company loaned $550,000 to the Company. The loan was repaid prior to December 31, 1998. We paid interest totalling $30,318 in connection with the loan. Certain other transactions in which directors, senior officers, or principal holders of our securities have had an interest in are described under the headings “Options to Purchase and Agreements to Issue Securities” and “Executive Compensation”. Other than as described above or under these headings, there are no material transactions with our directors, officers, or principal holders of our securities that have occurred during our five most recently completed fiscal years or during the period since the end of our most recently completed fiscal year.

No director, senior officer, promoter or other member of our management or any of their respective associates or affiliates has been indebted to us during the last fiscal year or during the eleven month period ended November 30, 2000. Certain of our directors serve as directors of companies which may enter into contracts with us in the future. In the event this occurs, a conflict of interest will exist. In accordance with the *Canada Business Corporation Act*, directors are required to act honestly, in good faith and in our best interest. In addition, directors in a conflict of interest position are required to disclose such conflicts to the Company and if a vote is required on such matter then such director will abstain from voting on such resolution.

PRINCIPAL HOLDERS OF SECURITIES

As at November 30, 2000, the Company had a total of 17,342,242 Common Shares issued and outstanding. If all 3,300,000 Special Warrants are exercised into 3,300,000 Common Shares, we will have a total of 20,642,242 Common Shares issued and outstanding. The following are the shareholdings of our directors, senior officers and promoters and of any other shareholders which, to our knowledge, beneficially own, directly or indirectly, more than ten percent of our issued Common Shares:

Name and Municipality of Residence of Shareholder	Number of Common Shares Beneficially Owned	Percentage of Issued Share Capital	Percentage of Issued Share Capital after the completion of this Offering
Capital D'Amerique CDPQ Inc..	2,647,538 (1)	15.27%	12.82%
Directors and Officers as a Group	1,776,728 (2)	10.24%	8.61%

(1) Mr. Peter and other entities which he controls are party to a voting trust agreement with CDPQ under which Mr. Peter has agreed to vote the Common Shares beneficially held by him in order for Concert to observe the covenants under the Convertible Debentures held by CDPQ. See "Options and Other Agreements to Issue Securities - Convertible Debentures".

(2) The directors and senior officers as a group also hold stock options pursuant to which up to 1,395,662 Common Shares can be purchased. See "Options to Purchase and Agreements to Issue Securities".

If all of the remaining Convertible Debentures held by CDPQ, Manvest and the Airformed Securityholders are converted into Common Shares, CDPQ, Manvest and the Airformed Securityholders will acquire 3,589,345, 775,933 and 2,189,866 Common Shares respectively, representing in the case of CDPQ, 15.02% of the issued and outstanding share capital of the Company, in the case of Manvest, 3.25% of the issued and outstanding share capital and in the case of the Airformed Securityholders 9.16% of the issued and outstanding share capital as at November 30, 2000. Upon completion of the Offering and upon conversion of all of the Convertible Debentures held by CDPQ and Manvest, CDPQ and Manvest will acquire a 13.20% and 2.85%, respectively, of the Company's then current issued and outstanding share capital on an undiluted basis. If all of the Airformed Debentures held by the Airformed Securityholders are converted, the Airformed Securityholders will acquire a further 8.05% of the Company's then current issued and outstanding share capital after completion of this Offering.

EXECUTIVE COMPENSATION

For purposes of this section, "Named Executive Officer" of Concert means an individual who at any time during the year was the chairman or a vice-chairman of our board of directors, where such person performed the functions of such office on a full-time basis, our president, any vice-president in charge of a principal business unit such as sales, finance or production, or any officer of the Company or of a subsidiary or other person who performed a policy-making function in respect of Concert. During the fiscal year ended December 31, 1999, we had four Named Executive Officers.

Summary of Compensation

The following table is a summary of the compensation paid to our five most highly paid executive officers during the most recently completed financial year for services rendered to Concert.

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Position of Principal	Fiscal Year Ending	Salary	Bonus	Other Annual Compen-sation	Securities Under Options Granted	Restricted Shares or Restricted Share Units	LTIP Pay-Outs	All Other Compen-sation
Dieter Peter Chairman and Chief Executive Officer	1999 1998 1997	190,000 170,000 155,000	75,000 70,000 150,000	14,000 5,000 10,000	- 400,000 25,000	NIL NIL NIL	NIL NIL NIL	NIL NIL NIL
John McNicol President and Chief Operating Officer	1999 1998	182,500 58,000	63,000 -	14,000 -	100,000 250,000	NIL NIL	NIL NIL	NIL NIL

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Position of Principal	Fiscal Year Ending	Salary	Bonus	Other Annual Compen-sation	Securities Under Options Granted	Restricted Shares or Restricted Share Units	LTIP Pay-Outs	All Other Compen-sation
Carey Edwards Executive Vice President and Chief Financial Officer	1999 1998 1997	140,000 111,250 100,000	50,000 50,000 50,000	14,000 5,000 5,000	- 150,000 25,000	NIL NIL NIL	NIL NIL NIL	NIL NIL NIL
Ken Squires President [(1)]	1999 1998 1997	115,000 116,261 117,000	45,669 8,000 8,000	8,563 8,000 -	15,000 18,750 10,000	NIL NIL NIL	NIL NIL NIL	NIL NIL NIL

(1) Mr. Ken Squires is President of the Company's subsidiary, CFL.

We have no long-term incentive plans in place and therefore there were no awards made under any long-term incentive plan to the Named Executive Officers during our most recently completed fiscal year. A "Long-Term Incentive Plan" is a plan under which awards are made based on performance over a period longer than one fiscal year, other than a plan for options, SARs or restricted share compensation.

<u>Options/SARs Granted During the Most Recently Completed Fiscal Year</u>

During the most recently completed fiscal year, the following incentive stock options were granted to the Named Executive Officers.

Name	Date of Grant	Securities Under Options Granted (#)	Exercise or Base Price ($/ Security)	% of Total Options Granted to Employees in Fiscal year	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
Ken Squires[(1)]	Jan. 8, 1999	15,000	3.00	8.08%	3.00[(2)]	Jan. 8, 2004
John McNicol	Sept. 1, 1999	100,000	5.53	53.9%	5.45[(3)]	Sept. 1, 2004

(1) Mr. Squires is President and a director of CFL.
(2) Calculated as the closing price of our Common Shares on the Montreal Exchange on the date of grant.
(3) Calculated as the closing price of our Common Shares on the TSE on the date of grant.

Aggregated Option/SAR Exercises During the Most Recently
<u>Completed Fiscal Year and Fiscal Year End Option/SAR Values</u>

The following table sets out incentive stock options exercised by the Named Executive Officers, during the most recently completed fiscal year as well as the fiscal year end value of stock options held by the Named Executive Officers.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($) [1]	Unexercised Options at Fiscal Year-End Exercisable/Unexercisable (#)	Value of Unexercised In-the-Money Options at Fiscal Year-End ($) Exercisable / Unexercisable [2]
Dieter Peter	25,000	$18,750	158,332/266,668[3]	$456,163/757,337
John McNicol	Nil	Nil	83,333/266,667	$234,999/(417,001)
Carey Edwards	25,000	$18,750	74,999/100,001	$216,164/277,336
Ken Squires	6,250	$ 4,687	16,249/12,501	$47,997/36,003

(1) Based on the difference between the option exercise price and the closing market price of our Common Shares, on the date of exercise.

(2) In-the-Money Options are those where the market value of the underlying securities as at the most recent fiscal year end exceeds the option exercise price. The closing market price of our Common Shares as at December 31, 1999 (the most recent year end) was $5.00.

(3) Of these 425,000 total stock options, 150,000 are held by Mr. Peter and 250,000 are held by Merfin Management Ltd., a private company solely owned by Mr. Peter.

Aggregated Option Exercises During the Most Recently Completed Fiscal Year and Fiscal Year-End Option Values

The following table sets out incentive stock options exercised by the Named Executive Officers during the most recently completed financial year, as well as the fiscal year-end value of stock options held by the Named Executive Officers:

Name	Date of Grant	Securities Under Options Granted (#)	Exercise or Base Price ($/ Security)	% of Total Options Granted to Employees in Fiscal year	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
Ken Squires[1]	Jan. 8, 1999	15,000	3.00	8.08%	3.00[2]	Jan. 8, 2004
John McNicol	Sept. 1, 1999	100,000	5.53	53.9%	5.45[3]	Sept. 1, 2004

(1) In-the-Money options are those where the market value of the common shares as at the most recent fiscal year end exceeds the option exercise price. The closing market price of our Common Shares as at December 31, 1999 (the most recent year-end) was $5.00.

Termination of Employment, Changes in Responsibility and Employment Contracts

We have employment agreements with our senior officers, including Mr. Dieter Peter, Chairman and Chief Executive Officer, Mr. John McNicol, President, Mr. Carey Edwards, Executive Vice President, Secretary, and Chief Financial Officer and Mr. Miles Lauzon, Chief Operating Officer and Executive Vice President Manufacturing, Americas. The employment agreement with Mr. Peter expires on December 31, 2005. The employment agreement with Mr. Edwards expires on December 31, 2002, The employment agreement with Mr. McNicol expires on January 15, 2002. The employment agreement with Mr. Lauzon is for an indefinite period of time. Each of these employment agreements includes provisions for base salary, performance bonuses, stock option participation and benefits.

The employment agreement with John McNicol provides that in the event that his employment is terminated without cause he will be paid a severance payment of $350,000. The employment agreements with Messrs. Peter and Edwards each provide that in the event the employee is dismissed without cause, the employee will be entitled to be paid three years' salary. Each of the employment agreements with Messrs. McNicol, Peter and Edwards provide that if there is an "Acquisition of Control" of Concert, the employee may, at his option, terminate his employment within six months following the Acquisition of Control and be paid a severance amount. In such circumstances the severance amount payable to Mr. McNicol will be $500,000 and the severance amount payable to each of Messrs. Peter and Edwards will be four years' salary. An Acquisition of Control is defined in the agreement to include (i) any transaction or event whereby a person acquires beneficial ownership of or control or direction of 51% or more of the voting rights attached to all of our outstanding voting shares, or (ii) a merger, consolidation amalgamation, reorganization or arrangement which results in more than 51% of the outstanding voting shares of the Company being acquired for cash or securities of another person or the shareholders of Concert owning less than 49% of voting securities of the successor corporation following such merger amalgamation, reorganization or arrangement.

ESPP

Our directors and officers are eligible to purchase Common Shares under the ESPP. For particulars of Common Shares issued under the ESPP see "Prior Issuances of Shares".

Employee Bonus Plans

From time to time the Company sets criteria for the earning of cash bonuses by employees. We reserve the right to amend these criteria at any time to adjust for unforeseen changes in Concert's financial affairs.

In addition to the foregoing, all of our executive officers are also entitled to dental and group benefits and the reimbursement of all reasonable business expenses.

RISK FACTORS

The Company's securities should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this prospectus prior to making an investment in Concert. In addition to the other information presented in this prospectus, the following risk factors should be given special consideration when evaluating an investment in any of our securities.

Competition

Our products compete against those of other larger and more established companies, some of which have greater financial, marketing and other resources than those of Concert. These competitors may be able to institute and sustain price wars, or imitate the features of our products, resulting in a reduction of Concert's share of the market and reduced price levels and profit margins. Although certain factors, such as technical knowledge, production capacity, innovation, product development, cost and supply, will affect the success of competitors, there are few significant barriers to new competitors entering the market place.

Reliance on New Products

Our business and financial plan focuses on a number of product lines, which are relatively new. There can be no assurance that existing sales levels can be maintained or that increased sales levels can be achieved. Internal cash generated by operations may not permit the level of research and development spending required to maintain the stream of new product improvements anticipated and outside financing may not be available.

Management of Growth and Expansion

Our business has grown rapidly since 1993. Our production capacity is expected to increase from 41,000 tonnes to 83,000 tonnes in 2001. Planned expansion of our business may increase strain upon our management resources. Our ability to support the growth of our business will be substantially dependent on having in place highly trained internal and third party resources. Failure to successfully manage such expansion may have a material adverse effect on our business, results of operations and financial condition. There can be no assurance that we will be able to manage our recent or any future expansion successfully.

Expansion of North American Operations

We propose to substantially expand our operations in North America with the Gatineau project. This project will represent approximately 45% of our total capacity in 2001. Our business will be adversely affected if we encounter a delay in commencing operations at our Gatineau facility. There can be no assurance that we will not experience delays in commencing operations at our Gatineau facility.

Purchase of Interest in Concert GmbH

We are negotiating with GEA to purchase an 18.24% or greater interest in Concert GmbH. There can be no assurance that we will close this transaction on commercially reasonable terms, if at all.

Product Obsolescence

The Company is at risk if it does not continue to upgrade and improve its products. Typically, the air-laid industry is characterised by a consistent flow of new and improved products, which render existing products obsolete. Our ability to develop new products and anticipate changes in customer product requirements will be a significant factor in our ability to compete. There can be no assurance that we will be successful in identifying, developing, manufacturing and marketing products that will respond to customer needs. Our business will be adversely affected if we incur delays in developing new products or if such products do not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render our products or technologies non-competitive or obsolete.

Marketplace

The marketplace for our products is constantly undergoing change. As a result, it is difficult to predict the continued demand for our products.

Cost Control

Success will be largely predicated upon our ability to develop, sell and distribute consistent, high quality, products at competitive prices. Failure to do so may result in smaller profit margins or losses.

Dependence on Key Personnel

Our success is largely dependent on the abilities and experience of our executive officers and other key employees. Competition for highly skilled management, technical research and development and other employees is intense in the air-laid fabrics industry. There can be no assurance that we can retain our current key employees or attract and retain additional key employees as needed. The loss of certain key employees could have a material adverse impact upon our growth, business and profitability.

Marketing Plan

We spend considerable resources on the development of new fabrics for use in new or redesigned products. These expenditures are funded partly from cash flow from operations. Poor market acceptance of Concert's products or other unanticipated events may result in lower revenues than anticipated.

Leverage

The Company, Concert GmbH, CFL, ACI and CAL have significant debt obligations. As of September 30, 2000, each of Concert GmbH, CFL, ACI and CAL had outstanding long-term debts of approximately DM 40.3 million, $8.0 million, US$8.3 million and $10.0 million, respectively. In addition, we had as at September 30, 2000, $10.7 million in Convertible Debentures and US$6.7 million in Airformed Debentures outstanding (net of amortized discount of $2.4 million). See "Options to Purchase and Agreements to Issue Securities – Convertible Debentures". The degree to which this leverage could have consequences on the prospects of the Company include the effect of such debts on the ability to obtain additional financing for working capital, capital expenditures or acquisitions, the portion of available cash flow that will need to be dedicated to repayment of principal and interest on indebtedness, thereby reducing funds available for expansion and operations and the vulnerability of the Company to economic downturn and its ability to withstand competitive pressure. We believe, based on current markets, that we should be able to meet our debt service obligation, when due. If not, we may need to consider refinancing or adopting alternative strategies to reduce or delay capital expenditure, selling assets or seeking additional equity capital.

Reliance on Major Customers

We sell approximately 68% of our current production to our seven largest customers. Sales to these customers are expected to increase during the 2001 fiscal year to over 75% of our sales. A loss of certain of these customers could have a material adverse effect on the Company. Although we are a party to multi-year supply contracts with certain of these customers, such contracts may be terminated by the customer upon certain conditions. Our longer-term goal is to develop our client base so as to reduce our dependence on a smaller number of customers or in particular market segments. There can be no assurance that we will be successful in diversifying our customer base.

Dependence on Key Suppliers

We have not entered into long term supply contracts for our principal raw materials, including fluff pulp. A loss of a major supplier could, in the short term, adversely affect our business until alternative supply arrangements are secured. In addition, there is no assurance that an alternate supply can be arranged on terms favourable to the Company.

Foreign Currency

From our Canadian and American location, our products are primarily sold in US dollars. The primary variable costs for raw materials are also denominated in US dollars. However, we incur liabilities and expenses in other currencies, including Canadian dollars. In addition, substantially all of the indebtedness of our operations is in Canadian dollars or DM's. From our German location, our products are sold primarily in European currencies. The primary variable costs for raw materials are purchased in US dollars. Currency exchange rate fluctuations may impact revenues and gross margins of our operations and our ability to retire our outstanding debt or finance working capital or expansion. We closely monitor our foreign exchange exposure, have entered into limited swap transactions, and are investigating opportunities to develop natural hedges or other means to minimize foreign exchange risk.

Costs of Raw Materials

Amounts paid for raw materials, particularly fluff pulp, latex, super-absorbent polymers, bi-component fibre and electricity represent the largest components of our variable costs. The cost of these materials is subject to market fluctuations caused by factors beyond our control. Under the customer contracts we recently entered into, the price of our products are to be adjusted for changes in raw materials prices. Significant increases in raw material or other variable costs, to the extent that we are not able to pass these along to customers in the prices for our products, could materially and adversely affect our business, results of operation and financial condition.

Requirement of New Capital

As a growing business, we typically need more capital than we have available or can expect to generate through our operations. In the past, we have had to raise, by way of debt and equity financing, considerable funds to meet our capital needs. There is no guarantee that we will be able to continue to raise funds needed for our business. Failure to raise the necessary funds in a timely fashion will limit Concert's growth. See also "Capital Resources and Liquidity".

Government Regulation

Our operations and products are subject to certain mandatory regulatory approvals. Although we have obtained all necessary approvals for our current operations, additional approvals will be required to complete the Gatineau facility. There can be no assurance that such approvals can be obtained on a timely basis, or at all. In addition, such regulatory requirements may change.

Intellectual Property

We have not obtained patent protection for any of our products or process improvements. We have fully paid secured licence agreements to ensure freedom to practice for each airlaid production line from the respective machine suppliers. See “Our Business – Intellectual Property”.

We have established a festooning process whereby large airlaid parent rolls are slit or perforated and then sheeted or stacked to form square blocks of finished material. Our festooning process is not patented and has been challenged by a competitor in an action against Concert GmbH in which it is seeking an order for the disclosure of certain information and an injunction in relation to an alleged patent infringement by Concert GmbH in its activities relating to the joining of festooned airlaid materials. See “Legal Matters”.

Although the revenue generated by the festooning process is minor to date and an injunction is unlikely, a material adverse effect is possible should the claim or injunction be upheld and we or our subsidiaries are unable to supply festooned products to our customers.

Dilution

The amount of the offering price exceeds our net tangible book value per Common Share as at September 30, 2000 by $3.26 (after giving effect to this Offering) representing a dilution factor of 59.27%. In addition, as at the date of this prospectus there were options and other agreements to issue securities outstanding (including the Special Warrants and the Agent’s Special Options) under which up to an additional 12,433,841 Common Shares may be issued. See “Options to Purchase and Agreements to Issue Securities” and “Dilution”.

Dividends

We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain our earnings to finance further growth and, when appropriate, retire debt. See “Dividend Record and Policy”.

Force Majeure

Our business is dependent upon the ongoing operation of our manufacturing facilities. The occurrence of a significant event, which disrupts the production of a facility for an extended period could have a material adverse impact on our business.

MATERIAL CONTRACTS

The following are our material contracts that are either outstanding as at the date of this prospectus, or that were entered into during our past two fiscal years:

- The multi-year supply contracts with two large multi-national customers described under “The Company”, “Our Business - Manufacturing Facilities” and “Sales and Marketing”.

- The subscription agreement among SGF Rexfor Inc. and the Company with respect to the financing of the Gatineau facility described under “Our Business – Manufacturing Facilities – Gatineau, Québec, Canada” and “Consolidated Capitalization”.

- The financing agreements with SGF Rexfor Inc., Investissement Québec and National Bank of Canada with respect to the loans for the financing of the Gatineau facility described under “Our Business – Manufacturing Facilities – Gatineau, Québec, Canada” and “Consolidated Capitalization”.

- The agreements among the shareholders of Concert GmbH described under “Our Business - Manufacturing Facilities – Falkenhagen, Brandenburg, Germany”.

- The agreements with respect to the operating loan and term loans made by a syndicate of German banks and the German government to Concert GmbH described under “Consolidated Capitalization”.

- The Convertible Debentures and Airformed Debentures described under "Options to Purchase and Agreements to Issue Securities - Convertible Debentures".

- The Agency Agreement and the Special Warrant Indenture under “Plan of Distribution”.

The material contracts described above (with the exception of the long-term supply contracts – the terms of which are confidential) may be inspected at the offices of our solicitors, Campney & Murphy, 2100-1111 West Georgia Street, Vancouver, British Columbia during normal business hours during the period of the distribution of the Common Shares being distributed hereunder and for a period of thirty days thereafter.

AUDITORS

Our auditors are KPMG, LLP, Chartered Accountants, 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K3.

REGISTRAR AND TRANSFER AGENT

Our registrar and transfer agent of our Common Shares is Computershare (formerly Montreal Trust Company of Canada), 510 Burrard Street, Vancouver, British Columbia, V6C 3A9.

LEGAL MATTERS

In December 1998, we received notice of a claim from a competitor for an unspecified amount relating to the employment by us of a product development manager. This claim has been inactive since its original filing. We will vigorously defend the claim and believe that the claim is without merit. The outcome of the claim is not determinable.

On November 21, 2000, BKI Holding Corporation commenced an action in the Landgericht Düsseldorf against Concert GmbH in which it is seeking an order for the disclosure of certain information and an injunction in relation to an alleged patent infringement by Concert GmbH in its activities relating to the joining of festooned air-laid materials. Festooning is a process that Concert GmbH uses to package certain air-laid materials whereby large air-laid parent rolls are slit or perforated and then sheeted or stacked to form square blocks of finished material. We will respond to and will vigorously defend ourselves against the claim and believe that the claim is without merit.

There are no other material pending legal proceedings to which Concert is or is likely to be a party or of which any of our subsidiaries or properties are or are likely to be the subject.

STATUTORY RIGHTS OF RESCISSION AND WITHDRAWAL

Securities legislation in certain of the provinces of Canada provides purchasers with remedies for rescission or, in some provinces, damages where a prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of such province. This securities legislation also provides purchasers with a right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. If a holder of a Special Warrant, who acquires Common Shares upon the exercise of a Special Warrant as provided for in this prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment hereto containing a misrepresentation, the holder will be entitled to rescission not only of the holder’s exercise of its Special Warrant but also of the private placement transaction pursuant to which the Special Warrant was initially acquired, and will be entitled, in connection with such rescission, to a full refund of all consideration paid to the Company on the acquisition of the Special Warrant. If the holder is a permitted assignee of the interest of the original Special Warrant subscriber, that permitted assignee will be entitled to exercise the rights of rescission and refund granted hereunder as if the permitted assignee was the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of the Special Warrant under applicable securities legislation or otherwise at law. The purchaser should refer to any applicable provisions of the securities legislation of this province for the particulars of these rights or consult with a legal adviser. No action may be taken to enforce the foregoing rights more than 180 days after the Expiry Date. The foregoing rights are in addition to any other right or remedy available to a holder of Special Warrants under Section 130 of the Securities Act (Ontario) or otherwise at law.

CONSOLIDATED FINANCIAL STATEMENTS

of

CONCERT INDUSTRIES LTD.

Nine months ended September 30, 2000 and 1999 (unaudited)
Years ended December 31, 1999, 1998 and 1997
Ten months ended December 31, 1996
Year ended February 29, 1996

REVIEW ENGAGEMENT REPORT

To the Board of Directors
Concert Industries Ltd.

We have reviewed the consolidated balance sheet of Concert Industries Ltd. as at September 30, 2000 and the consolidated statements of operations and deficit and cash flows for the nine month periods ended September 30, 2000 and 1999. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada

November 17, 2000, except as
to note 14 which is as
of November • , 2000

AUDITORS' REPORT

To the Board of Directors
Concert Industries Ltd.

We have audited the consolidated balance sheets of Concert Industries Ltd. as at December 31, 1999 and 1998 and the consolidated statements of operations and deficit and cash flows for each of the years in the three year period ended December 31, 1999, the ten months ended December 31, 1996 and the year ended February 29, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 1999, the ten months ended December 31, 1996 and the year ended February 29, 1996 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada

March 10, 2000

CONCERT INDUSTRIES LTD.

Consolidated Balance Sheets

	September 30,	December 31,	
	2000	1999	1998
	(unaudited)		
Assets			
Current assets:			
Cash and cash equivalents	$ 8,764,045	$ 15,961,299	$ 4,569,528
Accounts receivable	14,865,252	6,597,177	5,325,662
Inventories	8,585,443	5,180,282	2,482,616
Prepaids and deposits	267,762	257,495	176,251
	32,482,502	27,996,253	12,554,057
Investment	–	111,405	133,500
Capital assets (note 3)	137,386,617	65,968,074	41,262,531
Goodwill, net of amortization of $119,840 (1999 - $nil; 1998 - $nil)	13,988,753	–	–
Deferred start-up costs, net of amortization of $1,183,946 (1999 - $780,928; 1998 - $nil)	6,638,113	2,776,239	4,001,290
Future income taxes	649,827	–	–
	$ 191,145,812	$ 96,851,971	$ 57,951,378
Liabilities and Shareholders' Equity			
Current liabilities:			
Demand loans (note 4)	$ 8,940,512	$ 1,100,224	$ 525,000
Accounts payable and accrued liabilities	18,319,419	10,120,436	3,800,309
Shareholder loans (note 13)	3,598,378	5,173,791	3,059,024
Current portion of long-term debt (note 6)	7,294,955	5,541,524	2,779,011
	38,153,264	21,935,975	10,163,344
Construction payables (note 5)	9,021,048	–	–
Long-term debt (note 6)	60,580,336	23,141,046	17,804,084
Future income taxes	2,393,546	100,000	–
Non-controlling interest	22,028,150	6,398,924	8,010,000
	132,176,344	51,575,945	35,977,428
Shareholders' equity:			
Convertible debenture (note 7)	10,738,143	13,568,367	13,335,458
Share capital (note 8(b))	48,806,424	40,254,108	19,809,459
Other equity financial instruments (note 8(g))	3,891,000	–	–
Deficit	(317,346)	(5,807,269)	(10,926,186)
Cumulative translation adjustment	(4,148,753)	(2,739,180)	(244,781)
	58,969,468	45,276,026	21,973,950
Commitments and contingencies (note 10)			
Subsequent events (note 14)			
	$ 191,145,812	$ 96,851,971	$ 57,951,378

See accompanying notes to consolidated financial statements.

CONCERT INDUSTRIES LTD.

Consolidated Statements of Operations and Deficit

	Nine months ended September 30, 2000	Nine months ended September 30, 1999	Year ended December 31, 1999	Year ended December 31, 1998	Year ended December 31, 1997	Ten months ended December 31, 1996	Year ended February 29, 1996
	(unaudited)	(unaudited)					
Sales	$ 62,664,297	$ 32,848,098	$47,658,440	$12,672,452	$7,938,286	$6,063,635	$5,283,279
Cost of sales	43,283,430	21,882,684	31,777,771	8,053,388	5,427,407	4,017,202	4,229,448
Gross margin	19,380,867	10,965,414	15,880,669	4,619,064	2,510,879	2,046,433	1,053,831
Expenses:							
Administration expenses	2,800,121	1,877,720	2,577,094	1,213,729	886,555	611,272	1,575,363
Depreciation and amortization	2,544,705	1,681,689	2,517,640	430,391	533,935	420,977	493,327
Fixed manufacturing, product development and overhead	1,965,009	1,870,001	2,637,879	539,548	523,840	531,621	663,922
Interest	1,814,247	1,117,868	1,510,242	453,624	383,211	431,251	521,782
Selling and marketing	1,659,601	1,025,465	1,638,746	410,583	471,972	370,660	415,179
	10,783,683	7,572,743	10,881,601	3,047,875	2,799,513	2,365,781	3,669,573
Income (loss) before undernoted items, income taxes and non-controlling interest	8,597,184	3,392,671	4,999,068	1,571,189	(288,634)	(319,348)	(2,615,742)
Gain on settlement of long-term debt	–	–	–	–	–	116,314	–
Write down of investment	(106,073)	–	–	(314,465)	–	–	–
Foreign currency exchange gain (loss)	135,580	156,654	178,084	204,500	(43,269)	–	–
Income (loss) before income taxes and non-controlling Interest	8,626,691	3,549,325	5,177,152	1,461,224	(331,903)	(203,034)	(2,615,742)
Income taxes (note 9):							
Current	286,822	–	–	–	–	–	–
Future	1,643,719	–	100,000	–	–	–	–
	1,930,541	–	100,000	–	–	–	–
Income (loss) before non-controlling interest	6,696,150	3,549,325	5,077,152	1,461,224	(331,903)	(203,034)	(2,615,742)
Non-controlling interest	(1,013,413)	314,641	311,118	–	–	–	–
Net income (loss)	5,682,737	3,863,966	5,388,270	1,461,224	(331,903)	(203,034)	(2,615,742)
Deficit, beginning of period	(5,807,269)	(10,926,186)	(10,926,186)	(12,387,410)	(11,208,507)	(11,005,473)	(8,389,731)
Amortization of convertible debenture issue costs	(162,462)	(174,679)	(232,908)	–	–	–	–
Cost incurred with respect to capital transactions	–	–	–	–	(847,000)	–	–
Net value assigned to shares issued on exercise of stock appreciation rights	(30,352)	(24,941)	(36,445)	–	–	–	–
Deficit, end of period	$(317,346)	$(7,261,840)	$(5,807,269)	$(10,926,186)	$(12,387,410)	$(11,208,507)	$(11,005,473)
Income (loss) per share	$0.37	$0.42	$0.55	$0.18	$(0.04)	$(0.03)	$(0.36)
Fully diluted income (loss) per share	0.25	0.22	0.30	0.15	(0.04)	(0.03)	(0.36)

See accompanying notes to consolidated financial statements.

CONCERT INDUSTRIES LTD.

Consolidated Statements of Cash Flows

	Nine months ended September 30, 2000	Nine months ended September 30, 1999	Year ended December 31, 1999	Year ended December 31, 1998	Year ended December 31, 1997	Ten months ended December 31, 1996	Year ended February 29, 1996
	(unaudited)	(unaudited)					
Cash provided by (used in):							
Operating activities:							
Net income (loss)	$5,682,737	$3,863,966	$5,388,270	$1,461,224	$(331,903)	$(203,034)	$(2,615,742)
Adjustment for non-cash items:							
Depreciation and amortization	2,544,705	1,681,689	2,517,640	430,391	533,935	420,977	493,327
Gain on settlement of debt	–	–	–	–	–	(116,314)	–
Write-down of investment	106,073	–	–	314,465	–	–	–
Non-controlling interest	1,013,413	(314,641)	(311,118)	–	–	–	–
Stock-based compensation	110,945	62,156	77,857	64,520	53,150	6,474	14,582
Future income taxes	1,643,719	–	100,000	–	–	–	–
	11,101,592	5,293,170	7,772,649	2,270,600	255,182	108,103	(2,107,833)
Changes in non-cash working capital:							
Increase in accounts receivable	(3,519,830)	(2,568,218)	(2,798,757)	(3,145,687)	(292,438)	(351,506)	(541,617)
Decrease (increase) in inventories	(3,149,115)	(1,010,292)	(3,253,367)	(1,923,135)	(229,829)	175,556	53,629
Decrease (increase) in prepaids and deposits	(9,385)	(109,296)	(101,795)	(69,316)	(4,287)	(42,695)	56,488
Increase in accounts payable and accrued liabilities	4,039,383	2,744,952	7,068,306	1,621,235	905,402	414,303	278,258
	8,462,645	4,350,316	8,687,036	(1,246,303)	634,030	303,761	(2,261,075)
Investing activities:							
Acquisition of assets (note 2)	(343,675)	–	–	–	–	–	–
Cash acquired on business combination (note 2)	339,072	–	–	–	–	–	–
Capital assets	(61,175,834)	(27,791,890)	(46,111,175)	(19,844,669)	(11,268,889)	(31,442,796)	(275,712)
Government grant	–	6,418,390	12,216,213	13,440,908	3,563,423	12,773,168	200,000
Deferred start-up costs	(4,271,698)	(26,917)	(44,880)	(3,835,711)	–	–	–
Purchase of investment	–	–	–	(133,500)	–	(314,465)	
	(65,452,135)	(21,400,417)	(33,939,842)	(10,372,972)	(7,705,466)	(18,984,093)	(75,712)
Financing activities:							
Demand loans	(413,441)	270,303	634,320	325,000	(700,000)	(50,000)	390,000
Repayment of long-term debt	(2,930,835)	(3,205,594)	(4,700,530)	(2,695,549)	(2,447,723)	(422,989)	–
Increase in long-term debt	26,457,618	15,169,059	17,991,954	748,403	9,370,160	11,227,422	296,909
Increase on construction payables	9,068,295	–	–	–	–	–	–
Repayment of convertible debentures	–	–	–	(4,497,000)	–	–	–
Issue of convertible debentures	–	–	–	13,335,458	4,497,000	–	–
Issue of share capital	3,680,571	540,195	20,330,347	2,337,920	298,150	1,506,473	41,507
Increase in non-controlling interest	15,200,000	–	–	4,130,649	–	4,135,006	–
Increase in shareholder loans	226,085	1,985,590	2,960,754	3,197,116	–	–	–
Repayment of shareholder loans	(1,414,513)	–	(85,073)	(550,000)	–	–	–
Increase (decrease) in obligation to issue share capital	–	–	–	–	(3,447,235)	1,947,235	1,500,000
Costs incurred with respect to capital transactions	–	–	–	–	(847,000)	–	–
	49,873,780	14,759,553	37,131,772	16,331,997	6,723,352	18,343,147	2,228,416
Balance, carried forward	(7,115,710)	(2,290,548)	11,878,966	4,712,722	(348,084)	(337,185)	(108,371)

CONCERT INDUSTRIES LTD.

Consolidated Statements of Cash Flows, Continued

	Nine months ended September 30, 2000 (unaudited)	Nine months ended September 30, 1999 (unaudited)	Year ended December 31, 1999	Year ended December 31, 1998	Year ended December 31, 1997	Ten months ended December 31, 1996	Year ended February 29, 1996
Balance, brought forward	$(7,115,710)	$(2,290,548)	$11,878,966	$4,712,722	$(348,084)	$(337,185)	$(108,371)
Foreign exchange loss on cash and cash equivalents held in foreign currency	(81,544)	(398,839)	(487,195)	(377,848)	(6,238)	(115,376)	–
Increase (decrease) in cash and cash equivalents	(7,197,254)	(2,689,387)	11,391,771	4,334,874	(354,322)	(452,561)	(108,371)
Cash and cash equivalents, beginning of period	15,961,299	4,569,528	4,569,528	234,654	588,976	1,041,537	1,149,908
Cash and cash equivalents, end of period (note 1(b))	$8,764,045	$1,880,141	$15,961,299	$4,569,528	$234,654	$588,976	$1,041,537
Supplementary information:							
Interest paid	$1,437,751	$1,117,868	$1,821,428	$1,705,933	$1,210,248	$371,831	$499,260
Income taxes paid	–	–	–	–	–	–	–
Non-cash transactions:							
Stock-based compensation for shares issued pursuant to employee share ownership plan	$110,945	$62,156	$77,857	$64,520	$53,150	$6,474	$14,582
Value of shares issued in settlement of finders' fee	–	–	–	–	–	26,251	–
Value of shares issued on acquisition of ACI (note 2(a))	1,749,645	–	–	–	–	–	–
Value of shares issued on conversion of convertible debentures	2,992,687	–	–	–	–	–	–
Value of shares issued in settlement of stock appreciation rights	18,468	24,941	36,445	–	–	–	–

See accompanying notes to consolidated financial statements.

The Company is incorporated under the Canadian Business Corporations Act and its principle business activity is the manufacture and sale of thermal, latex and multi-bonded air-laid products.

1. Significant accounting policies:

(a) Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, Concert Fabrication Ltée. (100% owned), Concert GmbH (55% owned), AA-Tech Systems Advanced Airlaid-Technology GmbH (100% owned), Concert Financial Services Ltd. (100% owned) and Concert Airlaid Ltée. (52.5% owned). These financial statements also include the accounts of Concert ACI Inc. ("ACI") from May 31, 2000, the date of acquisition (note 2). All material intercompany balances and transactions have been eliminated.

(b) Cash and cash equivalents:

Cash equivalents includes short-term deposits with terms to maturity of ninety days or less when acquired.

(c) Inventories:

Raw materials are valued at the lower of cost and replacement cost. Finished goods are valued at the lower of cost and net realizable value. Cost is determined using the first-in first-out method.

(d) Capital assets:

Capital assets are recorded at cost including incremental interest, allocable overhead and other costs incurred by the Company related to the construction phase, net of related government grants.

The Company provides for depreciation as follows:

Asset	Term
Air-laid plant and equipment	Unit of Production method
Building	4% declining balance and 25 years straight-line
Leasehold improvements	Straight-line over lease term
Furniture and equipment	4-10 years straight-line

(e) Deferred start-up costs:

Costs associated with the start-up of new air-laid plants include product line testing and pre-operating period expenditures (net of revenues) and are deferred until the plant commences commercial operations. Attainment of commercial operations is defined as the earlier of the plant

1. Significant accounting policies (continued):

(e) Deferred start-up costs (continued):

having the ability to produce product as contemplated in the plant specifications and one year from the completion of the Air-laid plants. Deferred start-up costs are amortized on a straight-line basis over five years.

(f) Goodwill:

Goodwill represents the excess purchase price over the fair values of the net assets acquired and is amortized on a straight-line basis over the estimated useful life of the underlying business acquired, which periods do not exceed 20 years.

(g) Government grants:

The government grants received by the Company (note 3) are applied to reduce the capital cost of the Company's air-laid plants in the period the grant is received.

(h) Foreign currency translation:

The financial statements of the Company's self-sustaining subsidiaries Concert GmbH and ACI have been translated using the current rate method whereby assets and liabilities are translated at the exchange rate in effect on the balance sheet date and revenue and expense items are translated at the average rate of exchange prevailing during the year. Gains and losses on translation are deferred and included as the cumulative translation adjustment in shareholders' equity.

The Company enters into transactions denominated in foreign currencies that have been translated into Canadian dollars as follows:

(*i*) Monetary assets and liabilities at year-end rates;

(*ii*) All other assets and liabilities at rates in effect on the transaction dates; and

(*iii*) Revenue and expense items at the average rate of exchange prevailing during the year.

Exchange gains and losses arising from these transactions are reflected in results from operations.

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Areas requiring significant estimates include provision for sales returns, valuations of inventory, economic useful lives of capital assets

1. Significant accounting policies (continued):

(i) Use of estimates (continued):

for depreciation purposes and the underlying value and recoverability of goodwill and deferred start-up costs.

(j) Stock-based compensation:

The Company has a stock option plan, which is described in note 8(d). No compensation expense is recognized for this plan when stock options are issued to employees as the exercise prices are equal to market value of the underlying common shares on the date of grant. Any consideration paid by employees on exercise of stock options is credited to share capital.

The Company has an employee stock purchase plan, which is described in note 8(e). The Company matches the employee's contribution and recognizes this cost as an expense in the period it is incurred.

(k) Adoption of new accounting standard:

In December 1997, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued Section 3465 of the CICA Handbook, Income Taxes ("Section 3465"). Section 3465 requires a change from the deferred method of accounting for income taxes to the asset and liability method.

Under the asset and liability method of Section 3465, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be recovered or settled. Under Section 3465, the effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Pursuant to the deferral method, which was applied in 1999 and prior years, deferred income taxes are recognized for income and expense items that are reported in different years for financial reporting purposes and income tax purposes using the tax rate applicable for the year of the calculation. Under the deferral method, deferred taxes are not adjusted for subsequent changes in tax rates.

The Company has adopted the recommendations of Section 3465 retroactively effective January 1, 1999. There was no cumulative effect on the results from operations for the years ended December 31, 1998 and earlier of this change in accounting for income taxes. The financial statements for years ended prior to January 1, 1999 have not been restated to apply the provisions of Section 3465.

2. Business combination and acquisition of assets:

(a) ACI:

Effective May 31, 2000, the Company acquired all of the issued and outstanding common and preferred shares of ACI (formerly Airformed Composites Inc.), a company incorporated in Nevada, U.S.A., which operates an air-laid plant in Charleston, South Carolina, U.S.A. The Company issued 388,810 common shares as consideration. The business combination has been accounted for by the purchase method with ACI's results consolidated from May 31, 2000. The consideration paid and the fair values allocated to the assets and liabilities acquired are as follows:

Consideration:		
Common shares	$	1,749,645
Acquisition costs		217,515
Other equity financial instruments (note 8(g))		3,891,000
	$	5,858,160

Consideration applied to:		
Current assets, including cash of $339,072	$	5,176,659
Capital assets		14,215,779
Goodwill and other assets		14,108,593
		33,501,031
Less:		
Current liabilities		(3,953,291)
Long-term debt		(23,689,580)
	$	5,858,160

2. Business combination and acquisition of assets (continued):

(b) Other:

On August 1, 2000, the Company acquired the assets and assumed the liabilities of an unrelated company which is in the business of developing peripheral equipment for Airlaid machines. The Company paid cash of $343,675 allocated as follows:

Accounts receivable	$ 1,258,020
Fixed assets	2,460,882
	3,718,902
Less:	
Current liabilities	(864,844)
Long-term debt	(2,510,383)
	$ 343,675

3. Capital assets:

September 30, 2000 (unaudited)	Cost	Accumulated depreciation	Net book value
Air-laid plant and equipment	$ 101,309,993	$ 7,525,753	$ 93,784,240
Building and improvements	20,348,485	1,763,997	18,584,488
Furniture and equipment	2,940,520	1,040,858	1,899,662
Land	2,265,167	–	2,265,167
Plant under construction	57,801,723	–	57,801,723
	184,665,888	10,330,608	174,335,280
Less government grants (note 10(c))	40,468,743	3,520,080	36,948,663
	$ 144,197,145	$ 13,850,688	$ 137,386,617

3. Capital assets (continued):

December 31, 1999	Cost	Accumulated depreciation	Net book value
Air-laid plant and equipment	$ 43,118,698	$ 3,614,514	$ 39,504,184
Building and improvements	9,957,038	1,292,095	8,664,943
Furniture and equipment	1,621,243	701,687	919,556
Land	719,107	-	719,107
Plant under construction	55,837,854	-	55,837,854
	111,253,940	5,608,296	105,645,644
Less government grants (note 10(c))	40,794,479	1,116,909	39,677,570
	$ 70,459,461	$ 4,491,387	$ 65,968,074

December 31, 1998	Cost	Accumulated depreciation	Net book value
Air-laid plant and equipment	$ 45,983,492	$ 2,044,454	$ 43,939,038
Building and improvements	11,598,001	525,224	11,072,777
Furniture and equipment	1,332,531	292,152	1,040,379
Land	824,117	–	824,117
Plant under construction	16,402,415	–	16,402,415
	76,140,556	2,861,830	73,278,726
Less government grants (note 10(c))	32,443,695	427,500	32,016,195
	$ 43,696,861	$ 2,434,330	$ 41,262,531

4. Demand loans:

A bank demand loan totalling $800,000 at September 30, 2000 (December 31, 1999 - $450,000; December 31, 1998 - $525,000) bears interest at bank prime plus 1/4% and is secured by accounts receivable and inventory of Concert Fabrication Ltée.

The Company had drawings under outstanding lines of credit totalling $7,097,083 (DM 10,416,973) at September 30, 2000 (December 31, 1999 - $650,216; December 31, 1998 - $nil). These lines of credit bear interest at rates ranging from 8% - 10.75% and are secured by the assets of Concert GmbH.

The Company has a revolving loan totalling $1,043,429 ($694,000 U.S.) at September 30, 2000. This loan is payable on demand, bears interest at U.S. prime rate plus 0.75% and is secured by a first priority loan over the assets of ACI.

5. Construction payables:

Construction payables include accounts payable and accrued liabilities associated with the construction of two new Airlaid plants. The construction payables will be repaid using funds from two long-term loan facilities for Concert Fabrication Ltée and Concert Airlaid Ltée negotiated with the National Bank of Canada. The loan facilities will bear interest at the Canadian prime rate plus 2.25% and will be secured by all assets of the respective companies.

6. Long-term debt:

	September 30, 2000 (unaudited)	December 31, 1999	December 31, 1998
Concert GmbH:			
German bank loans denominated in German Deutschmarks (DM 22,522,196) due in 2004, bearing interest at 6.04% per annum with annual principal repayments of $4,014,220, secured by a first charge on assets of Concert GmbH	$ 15,344,509	$ 15,739,297	$ –
German bank loans denominated in German Deutschmarks (DM 8,308,000) due June 30, 2003, bearing interest at 4.3% to 4.64% per annum with annual principal repayments of $2,043,900, secured by a first charge on assets of Concert GmbH	5,660,242	7,427,000	11,570,000
Government of Germany Loan denominated in German Deutschmarks (DM 5,000,000), repayable in annual payments of DM 500,000 over a 10 year period commencing in 2006 if German operations achieve profitability or a cumulative operating surplus and bearing interest at 6.6% per annum	3,406,500	3,713,500	4,450,000
German bank loans denominated in German Deutschmarks (DM 2,385,000) with no specific terms of repayment and bearing interest at annually re-negotiated rates (presently at 5.10% to 5.61%) per annum, secured by a first charge on assets of Concert GmbH	1,624,900	1,771,340	2,161,533
Carried forward	26,036,151	28,651,137	18,181,533

6. Long-term debt (continued):

	September 30, 2000 (unaudited)	December 31, 1999	December 31, 1998
Brought forward	$ 26,036,151	$ 28,651,137	$ 18,181,533
German bank loans denominated in German Deutschmarks (DM 2,057,510) due December 31, 2002, bearing interest at annually re-negotiated rates (presently ranging from 5.19% to 5.60%) and quarterly repayments of $121,271, secured by a first charge on assets of Concert GmbH	1,401,782	–	–
Concert Fabrication Ltée:			
Investissement Québec loan to a maximum $5,000,000, due May 15, 2007, non-interest bearing, secured by a second mortgage on the assets of Concert Fabrications Ltée. Annual repayments will start during 2003 and will be based on a minimum variable percentages of the Company's earnings before interest, taxes, depreciation and amortization subject to a minimum payment of $1,250,000	3,000,000	–	–
SGF Rexfor Inc. loan consists of unsecured debentures bearing interest at 15% annually. Principal repayments can be made prior to the maturity date of July 7, 2006 without penalty	5,000,000	–	–
G.E. Capital - term loan repayable in 60 equal monthly payments of $6,463 including interest at 10.6% per annum, secured by a first charge on specific equipment	–	31,433	101,562
Societe de Development Industriel du Québec ("SDI") (Provincial Government Venture Loan) - with interest payable monthly at floating rates (8.25% at December 31, 1998)	–	–	1,400,000
Carried forward	35,437,933	28,682,570	19,683,095

6. Long-term debt (continued):

	September 30, 2000 (unaudited)	December 31, 1999	December 31, 1998
Brought forward	$ 35,437,933	$ 28,682,570	$ 19,683,095
National Bank of Canada, revolving loan of $6,500,000 with interest payable monthly at prime plus 0.75% per annum. The loan is secured by a first rank hypothec of $9,000,000 on all present and future moveable and immovable Canadian assets	–	–	900,000
Concert Airlaid Ltée.:			
Investissement Québec loan to a maximum of $15,000,000, non-interest bearing, secured by a second mortgage on the asset's of Concert Airlaid Ltée. Annual repayments will start during 2003 and will be based on variable percentages of the Company's earnings before interest, taxes, depreciation and amortization subject to a minimum payment of $3,000,000	10,000,000	–	–
ACI:			
Convertible Debenture ($9,066,045 U.S.) to former shareholders of ACI, net of unamortized discount of $3,579,215 ($2,392,627 U.S.). These subordinated loans bear interest at 8% annually commencing on May 31, 2002 and are due on May 31, 2008. The Company has the option under certain conditions to redeem the debentures after May 31, 2001. The debentures may be converted at the option of the holders at $6.00 ($4.14 U.S.) per share (note 8(g))	10,033,483	–	–
Bank of Austria term loan denominated in United States dollars (USD$6,750,000), repayable in fifteen quarterly instalments commencing July 1, 2001, interest at LIBOR plus 2.75%, and is secured by a first priority lien over the assets of ACI	10,148,625	–	–
Carried forward	65,620,041	28,682,570	20,583,095

6. Long-term debt (continued):

	September 30, 2000 (unaudited)	December 31, 1999	December 31, 1998
Brought forward	$ 65,620,041	$ 28,682,570	$ 20,583,095
Term loan ($1,500,000 U.S.), bears interest at a rate which is the greater of (a) 100 basis points above the rate payable pursuant to the terms of the loan and security agreement with the Bank of Austria or (b) 10%. Principal is due on December 31, 2004. Loan is secured by a second charge on the assets of ACI	2,255,250	–	–
	67,875,291	28,682,570	20,583,095
Less current portion	7,294,955	5,541,524	2,779,011
	$ 60,580,336	$ 23,141,046	$ 17,804,084

Scheduled principal repayments on long-term debt for each of the next five fiscal years are as follows:

2000 (three remaining months)	$ 2,015,963
2001	7,294,960
2002	8,798,460
2003	11,006,736
2004	11,674,932
2005	5,567,318

During the year ended December 31, 1999, interest totalling $387,910 (1998 - $nil) relating to construction of new air-laid plants was capitalized to air-laid plant and equipment and no interest was capitalized to start-up costs (1998 - $2,084,918). Interest totalling $207,774 was capitalized to air-laid plant and equipment during the nine months ended September 30, 2000 (1999 - $209,000) and $1,554,146 (1999 - $nil) was capitalized to start-up costs.

7. Convertible debenture:

During 1998, the Company issued three new convertible debentures for proceeds of $13,335,458, being the principal amount of $14,500,000 less issue costs of $1,164,542. The convertible debentures are non-interest bearing, unsecured and are convertible into approximately 6,304,300 common shares at a conversion price of $2.30 per share, such conversion to be completed no later than September 30, 2003. The Company may force conversion at the end of each calendar quarter, provided the Company's common shares have traded for 10 consecutive trading days immediately preceding the conversion at a price higher than the conversion price and the Company has been profitable in at least the two previous calendar quarters. The number of common shares to be issued on each quarterly conversion at the option of the Company would be equal to the lesser of 15% of the common shares outstanding on the conversion date and 25% of the common shares traded on The Montreal Exchange or any other recognized Exchange on which the common shares of the Company may be listed and traded in the previous calendar quarter. The principal amount under the debentures are due on September 30, 2003, if not previously converted, and may be paid in cash or at the Company's option with shares, such shares to be valued at the then prevailing market price. Since the Company has the ability to settle the principal amount of debentures by issuing shares, the debentures have been classified as a component of shareholders' equity.

The carrying amount of the debentures is being accreted to the principal amount of the debentures over the period to maturity. During the nine months ended September 30, 2000 and 1999 and the year ended December 31, 1999, the Company recorded $162,462, $174,679 and $232,988, respectively, as a charge against the deficit relating to the accretion of the debentures.

During the nine months ended September 30, 2000, $3,170,847 of the debentures were converted into 1,378,629 common shares. The related unamortized issue costs of $176,160 have been offset against the principal amount converted and included in share capital.

8. Share capital:

(a) Authorized:

Unlimited common shares without par value
Unlimited preferred non-voting shares without par value

(b) Issued:

	Number of shares	Amount
Balance, February 28, 1995	28,939,541	$ 15,460,452
Issued on:		
Exercise of warrants	50,000	25,000
Exercise of options	3,500	1,925
Employee share ownership plan	28,376	29,164
Balance, February 29, 1996	29,021,417	15,516,541
Issued on:		
Private placement	2,000,000	1,500,000
Employee share ownership plan	5,644	12,947
Reduction of shares upon share consolidation	(23,266,063)	–
Finder's fee	11,667	26,251
Balance, December 31, 1996	7,772,665	17,055,739
Issued on:		
Employee share ownership plan	55,548	106,300
Exercise of warrants	153,125	245,000
Balance, December 31, 1997	7,981,338	17,407,019
Issued on:		
Employee share ownership plan	59,129	129,040
Exercise of warrants	128,700	287,400
Private placement	889,567	1,986,000
Balance, December 31, 1998	9,058,734	19,809,459
Issued on:		
Employee share ownership plan	46,570	155,715
Exercise of options	227,457	491,365
Exercise of share appreciation rights	18,100	36,445
Exercise of warrants	108,695	250,000
Public issue of stock, net of issue costs of $1,489,101	4,421,100	19,511,124
Balance, December 31, 1999, carried forward	13,880,656	40,254,108

8. Share capital (continued):

(n) Issued (continued):

	Number of shares	Amount
Balance, December 31, 1999 (brought forward)	13,880,656	$ 40,254,108
Issued on:		
Employee share ownership plan	47,740	221,890
Exercise of options	120,000	228,000
Exercise of share appreciation rights	9,599	18,468
Private placement	167,286	752,787
Public issue of stock	581,000	2,588,839
Acquisition of ACI	388,810	1,749,645
Conversion of convertible debentures	1,378,629	2,992,687
Balance, September 30, 2000 (unaudited)	16,573,720	$ 48,806,424

(c) Escrow shares:

Of the issued common shares, 562,500 were performance shares held in escrow to be released based on one share for each cumulative $0.40 of pre-tax cash flow. During the nine months ended September 30, 2000, the Company received regulatory approval for the release of all of these performance shares.

8. Share capital (continued):

(d) Stock option plan:

Under the terms of the stock option plan, stock options vest at a rate of one half on the first anniversary of the grant and the remaining one half on the second anniversary of the grant. The maximum term of the options granted under the plan is five years and the maximum number of common shares authorized for issue on exercise of stock options is 3,000,000 common shares.

All of the stock options carry stock appreciation rights whereby the optionee can elect to receive an amount equal to the excess of the market value of the common shares on the date of exercise over the exercise price of the stock option, in lieu of exercising the stock option to acquire the common shares. The Company has the option to pay this amount in cash or by issuing common shares of the Company.

	Number of stock options	Weighted average exercise price
Outstanding, February 28, 1995	662,500	$ 0.70
Exercised	(3,500)	(0.55)
Outstanding, February 29, 1996	659,000	0.70
Granted	259,250	2.25
Cancelled	(659,000)	(0.70)
Outstanding, December 31, 1996	259,250	2.25
Granted	271,625	1.92
Cancelled	(25,500)	(2.25)
Outstanding, December 31, 1997	505,375	2.11
Granted	1,051,000	2.21
Cancelled	(71,250)	(2.77)
Outstanding, December 31, 1998	1,485,125	2.16
Granted	275,000	4.16
Exercised	(227,457)	(2.16)
Cancelled	(61,293)	(2.17)
Outstanding, December 31, 1999	1,471,375	2.49
Granted	846,787	4.79
Exercised	(120,000)	(1.90)
Cancelled	(121,333)	(3.60)
Outstanding, September 30, 2000 (unaudited)	2,076,829	$ 3.37

8. Share capital (continued):

(d) Stock option plan (continued):

	Stock Options Outstanding September 30, 2000 (unaudited)			Stock Options Exercisable September 30, 2000 (unaudited)	
Range of exercise prices	Number of stock options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of stock options exercisable	Weighted average exercise price
$2.00 to $2.40	1,081,042	1.4 years	$ 2.19	931,042	$ 2.18
$3.00 to $3.35	134,625	2.7 years	3.14	77,125	3.12
$4.00 to $4.99	386,162	3.2 years	4.55	–	–
$5.00 to $5.53	475,000	3.3 years	5.53	33,333	5.53
$2.00 to $5.53	2,076,829	2.2 years	$ 3.37	1,041,500	$ 2.36

	Stock Options Outstanding December 31, 1999			Stock Options Exercisable December 31, 1999	
Range of exercise prices	Number of stock options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of stock options exercisable	Weighted average exercise price
$1.90 to 2.40	1,216,750	1.7 years	$ 2.15	701,063	$ 2.12
$3.00 to 3.35	154,625	2.1 years	3.12	9,813	3.00
$5.53	100,000	4.7 years	5.53	-	-
$1.90 to $5.53	1,471,375	2.0 years	$ 2.49	710,875	$ 2.14

(e) Employee share purchase plan:

Under the terms of the employee share purchase plan, all employees are eligible to participate in the plan upon completion of 18 months of employment with the Company. Employees can contribute up to 10% of their annual earnings to a maximum of $5,000 per annum, with the Company matching all contributions made by the employee. The contributions are used to purchase common shares of the Company either on the open market or from treasury.

8. Share capital (continued):

(f) Share purchase warrants:

The Company has the following share purchase warrants outstanding as at September 30, 2000:

Number of shares	Exercise price	Expiry date
250,000	$ 2.20	April 17, 2001
157,805	$ 4.75	December 13, 2001
83,643	$ 6.00	May 31, 2002
491,448		

(g) Other equity financial instruments:

On acquisition of ACI, the Company granted to the holders of certain debentures issued by ACI and outstanding on the acquisition date, an option to convert the debentures into common shares of the Company. The value assigned to this conversion option was $3,891,000.

9. Income taxes:

Income tax expense attributable to income (loss) before non-controlling interest differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates of 45.62% to income (loss) before income taxes and non-controlling interest as follows:

	Nine months ended September 30,		Years ended December 31,			Ten months ended December 31,	Year ended February 29,
	2000	1999	1999	1998	1997	1996	1996
	(unaudited)	(unaudited)					
Net income (loss) before income taxes and non-controlling interest	8,626,991	3,549,335	5,177,152	1,461,224	(331,903)	(203,034)	(2,615,742)
Expected income tax expense	$ 3,935,483	$ 1,619,202	$ 2,361,817	$ 666,610	$ (151,414)	$ (92,624)	$ (1,193,302)
Tax effect of:							
Results from Canadian subsidiary taxed at lower rates	(646,213)	(732,336)	(727,711)	(240,305)	(31,408)	(4,367)	262,244
Results from foreign operations taxed at higher rates	81,036	(21,025)	(16,316)	–	–	–	–
Change in beginning of year valuation allowance	(1,416,457)	(894,197)	(1,476,929)	(455,739)	182,822	96,991	931,058
Other	(23,308)	28,356	(40,866)	29,434	–	–	–
	(2,004,942)	(1,619,202)	(2,261,817)	(666,610)	151,414	92,624	1,193,302
	$ 1,930,541	$ –	$ 100,000	$ –	$ –	$ –	$ –

9. Income taxes (continued):

Significant components of future income tax expense for the nine month period ended September 30, 2000 and the year ended December 31, 1999 are as follows:

	September 30, 2000	December 31, 1999
	(Unaudited)	
Future income tax expense (excluding effects of other components listed below)	$ 3,060,176	$ 1,576,924
Decrease in beginning of year valuation allowances for future tax assets	(1,416,457)	(1,476,924)
	$ 1,643,719	$ 100,000

9. Income taxes (continued):

The tax effects of temporary differences that give rise to significant portions of future income tax assets and liabilities at September 30, 2000 and December 31, 1999 are presented below:

	September 30, 2000	December 31, 1999
	(unaudited)	
Future income tax assets:		
Investments	$ 107,594	$ 107,781
Non-capital loss carry forwards	6,206,468	5,995,622
Financing costs	697,384	1,016,781
Investment, research and development tax credits	–	120,768
Other	53,069	4,438
Total gross future income tax assets	7,064,515	7,295,390
Less valuation allowance	(1,169,327)	(2,282,766)
Net future income tax assets	5,895,188	4,962,624
Future income tax liabilities:		
Capital assets	(4,640,381)	(3,333,826)
Convertible debentures, primarily due to treatment of issue costs	(269,619)	(318,758)
Deferred charges	(295,290)	(355,418)
Start-up costs	(2,433,667)	(1,054,622)
Total gross future income tax liabilities	(7,638,907)	(5,062,624)
Net future income tax liability	$ (1,743,719)	$ (100,000)
Comprised of:		
Future income tax asset	$ 649,827	$ –
Future income tax liabilities	(2,393,546)	(100,000)
	$ (1,743,719)	$ (100,000)

The Company and its Canadian subsidiaries have non-capital loss carry forwards in Canada for income tax purposes of approximately $2,900,000 which can be used to offset future Canadian taxable income to 2006. The Company's subsidiary Concert GmbH, has non-capital losses of approximately $6,000,000 which can be used indefinitely to offset future taxable income in Germany. ACI has non-capital loss carry forwards of approximately $6,000,000 which can be used to 2020 to offset future taxable income in the United States.

10. Commitments and contingencies:

(a) The Company has committed to the following operating lease payments for premises in the next five years:

2000 (remaining three months)	$	177,589
2001		666,717
2002		608,329
2003		566,503
2004		290,041
2005		111,399

(b) The Company has entered into contracts relating to two new Air-Laid plants under construction. Total committed expenditures at September 30, 2000 amount to approximately $67,234,000 which will be funded through the draw down of a long-term loan facility in place with the National Bank of Canada.

(c) Government grants totalling $4,445,483 (DM 6,525,000), have conditions attached to the grant requiring that the Company reach and maintain specified employment levels and continue to run the grant aided plant for at least five years after completion of the plant. If the conditions are not met, the grants are repayable. As at September 30, 2000, the employment levels have not yet been reached. As management considers that it is reasonably assured that the required employment levels will be met, the grants have been recorded as a reduction of capital assets (note 3).

11. Financial instruments:

(a) Risk management activities:

The Company operates in North America and Europe, giving rise to exposure to market risks from changes in foreign exchange rates. The Company limits exposure to foreign currency fluctuations in most of its production contracts through provisions that require customer payment in currencies corresponding to the currency in which costs are incurred. In order to limit any additional foreign exchange risks, principally relating to contracts involving US Dollars, the Company has entered into a swap transaction, whereby, if the average spot price for the US Dollar is lower than a strike price of $1.44 Canadian, the counterparty will pay the Company the difference between $1.44 and the average spot price of $1.4815 Canadian, the Company will pay the counterparty the difference between the strike price and the average spot price on a notional principal of $13,531,500 Canadian.

11. Financial instruments (continued):

(b) Concentrations of credit risk:

The Company has a few large customers that represent a significant amount of accounts receivable. As at September 30, 2000, accounts receivable from five customers represent approximately 32% (December 31, 1999 – 55%) of total accounts receivable. Management performs periodic assessment of the credit worthiness of its customers.

(c) Fair value:

The estimated fair value of cash and cash equivalents, accounts receivable, demand loans, accounts payable and accrued liabilities and construction payables is not materially different than their carrying values.

The fair value of the Government of Germany loan of $3,406,600 and the Investissement Québec loans of $3,000,000 and $10,000,000 is not readily determinable with sufficient reliability due to the uncertainty of the amount and timing of future repayments and the lack of similar instruments in the market. In addition, the fair value of the $5,000,000 unsecured debentures from SGF Rexfor Inc. can not be determined with sufficient reliability due to the relationship between the Company, its subsidiary Concert Airlaid Ltée and SGF Rexfor Inc. The fair value of all other long-term debt is not materially different from their carrying value based on discounted future cash flows and market rates of interest for the same or similar instruments.

The fair value of the shareholder loans is not easily determinable with sufficient reliability due to the relationship between the shareholders and the Company and the absence of a ready independent market for such instruments. Details of the loans are described in note 13.

The fair value of the foreign currency swap contract described in note 11(a) is not materially different from its carrying value based on exchange rates at September 30, 2000.

12. Segmented information:

The Company operates in two operating segments. Management defines these segments by the domicile of the subsidiaries and where they primarily derive their revenue.

(a) Reportable segments:

Prior to the acquisition of ACI on May 31, 2000, the North American segmented consisted of only Canadian operations. Subsequent to the acquisition, this segment also includes the operations of the United States operations of ACI. Prior to December 31, 1996, the Company operated only in Canada. Segmented information for the nine months ended September 30, 2000 and 1999, the years ended December 31, 1999, 1998 and 1997 and the ten months ended December 31, 1996 are as follows:

September 30, 2000 (unaudited)	North American	Europe	Total
Sales	$ 21,744,000	$ 40,920,297	$ 62,664,297
Depreciation and amortization	691,421	1,853,284	2,544,705
Interest expense	–	1,814,247	1,814,247
Net income	3,794,295	1,888,442	5,682,737
Capital expenditures	53,194,886	7,980,948	61,175,834
Total assets	119,441,768	71,704,044	191,145,812

September 30, 1999 (unaudited)	North American	Europe	Total
Sales	$ 17,710,118	$ 15,137,980	$ 32,848,098
Depreciation and amortization	650,816	1,030,873	1,681,689
Interest expense	149,328	968,540	1,117,868
Net income (loss)	4,253,138	(389,172)	3,863,966
Capital expenditures	1,671,447	26,120,443	27,791,890
Total assets	15,399,349	59,382,957	74,782,306

December 31, 1999	North American	Europe	Total
Sales	$ 24,084,538	$ 23,573,902	$ 47,658,440
Depreciation and amortization	1,015,928	1,501,712	2,517,640
Interest expense	180,580	1,329,552	1,510,242
Net income (loss)	5,768,525	(380,255)	5,388,270
Capital expenditures	7,499,547	38,611,628	46,111,175
Total assets	34,618,443	62,233,528	96,851,971

12. Segmented information (continued):

(a) Reportable segments (continued):

December 31, 1998	North American	Europe	Total
Sales	$ 12,672,452	$ –	$ 12,672,452
Depreciation and amortization	430,391	–	430,391
Interest expense	453,624	–	453,624
Net income (loss)	1,461,224	–	1,461,224
Capital expenditures	1,059,176	18,785,493	19,844,669
Total assets	13,119,676	44,831,702	57,951,378

December 31, 1997	North American	Europe	Total
Sales	$ 7,938,286	$ –	$ 7,938,286
Depreciation and amortization	533,935	–	533,935
Interest expense	383,211	–	383,211
Net income (loss)	(331,903)	–	(331,903)
Capital expenditures	1,488,954	9,779,935	11,268,889
Total assets	10,649,251	24,736,228	35,385,479

December 31, 1996	North American	Europe	Total
Sales	$ 6,063,635	$ –	$ 6,063,635
Depreciation and amortization	431,251	–	431,251
Interest expense	371,831	–	371,831
Net income (loss)	(203,034)	–	(203,034)
Capital expenditures	13,070	31,429,726	31,442,796
Total assets	10,239,242	20,165,442	30,404,684

12. Segmented information (continued):

(b) Major customers:

For the year ended December 31, 1999, three customers from the North American operations and two customers from the European operations represent approximately 58% of total revenues. For the year ended December 31, 1998, one customer from the North American operations represents 35% of total revenues.

For the nine months ended September 30, 2000, three customers from the North American operations and four customers from the European operations represent approximately 68% of total revenues. For the nine months ended September 30, 1999, two customers from the North American operations and three customers from the European operations represent approximately 50% of total revenues.

13. Related party transactions:

As at September 30, 2000, the non-controlling shareholders of the Company's German subsidiary, Concert GmbH have advanced funds totalling $3,598,378 to Concert GmbH. These advances are unsecured, bear interest at 6-8% per annum and are due in December 2000.

During the year ended December 31, 1998, a shareholder and officer of the company advanced $550,000 to the Company. Interest totalling $30,318 was paid by the Company. The advance was repaid prior to December 31, 1998.

The Company pays a $10,000 annual fee to a shareholder and officer of the Company as consideration for a personal guarantee provided by the shareholder and officer required by the Government of Germany's banking policies for a loan to the Company's German subsidiary. The Company will be obligated to continue making annual payments of $10,000 until the personal guarantee is withdrawn.

14. Subsequent events:

(a) On October 24, 2000, $1,289,012 of convertible debentures (note 7) were converted into 560,440 common shares.

(b) On November 14, 2000 and December 12, 2000, the Company issued, by way of a private placement, 3,175,000 and 125,000 Special Warrants, respectively at $5.50 per Special Warrant for gross proceeds of $18,150,000. Of the gross proceeds, $14,037,033 has been placed in escrow pending the clearance of a prospectus to be filed in the Canadian jurisdictions in which the Special Warrants are sold. Each Special Warrant is exercisable into one common share of the Company for no additional proceeds. If the prospectus is not cleared within 90 days after the closing date, each special warrant will be exchangeable for 1.1 common shares of the Company. The Company intends to use a portion of the proceeds to purchase certain shares of the Company's subsidiary, Concert GmbH, from a minority shareholder.

14. Subsequent events (continued):

(b) (continued)

In connection with the offering, the Company has granted to the agents, an option to purchase a further 165,000 common shares at $5.50 per share exercisable to December 31, 2001.

(c) On November 21, 2000, the Company was advised of an action which has commenced against the Company's subsidiary Concert GmbH. The plaintiff is seeking an order for the disclosure of certain information and an injunction in relation to an alleged patent infringement by Concert GmbH. The Company believes that this action is without merit and is vigorously defending itself. The claim is in its early stages and the outcome of any losses resulting from it are not determinable. Accordingly, no amounts have been accrued relating to this action.

(d) The Company issued 208,082 common shares at prices ranging from $2.00 to $2.25 pursuant to the exercise of stock options and share appreciation rights.

(e) The Company granted a total of 114,000 stock options exercisable at $5.50 per share until January 8, 2004.

CERTIFICATE OF THE COMPANY

DATED: December 22, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta) and Part XV of the *Securities Act* (Ontario) and the respective rules and regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulation thereunder.

(signed)
DIETER PETER
Chief Executive Officer

(signed)
CAREY EDWARDS
Chief Financial Officer

ON BEHALF OF THE BOARD

(signed)
MELVYN ROWLES
director

(signed)
BAYNE BOYES
director

CERTIFICATE OF THE AGENTS

DATED: December 22, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta) and Part XV of the *Securities Act* (Ontario) and the respective rules and regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulation thereunder.

LOEWEN, ONDAATJE, McCUTCHEON LIMITED

(signed)
CAMERON DUFF

NATIONAL BANK FINANCIAL INC.

(signed)
PAUL ST-MICHEL

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in capital of the Agents:

Loewen, Ondaatje, McCutcheon Limited:	a wholly-owned subsidiary of LOM Bancorp Limited.
National Bank Financial Inc.:	an indirect wholly-owned subsidiary of a Canadian chartered bank.