Interim Condensed Consolidated Financial Statements of

IMAFLEX INC.

For the three-month periods ended March 31, 2020 and 2019

These consolidated quarterly financial statements were not reviewed by our external auditors.

Consolidated statements of comprehensive income

(in thousands of Canadian dollars, except per share data)
(unaudited)

for the		**Three months ended March 31, 2020**	**2019**
Revenues	(Note 3.1)	**$ 21,031**	$ 21,867
Cost of sales		**17,002**	18,795
Gross profit		**4,029**	3,072
Expenses:			
Selling		**457**	417
Administrative		**1,439**	1,274
Finance costs	(Note 6)	**175**	184
Foreign exchange (gains) losses		**(1,682)**	349
Other		**23**	25
		412	2,249
Income before income taxes		**3,617**	823
Income taxes		**525**	265
NET INCOME		**3,092**	558
Other comprehensive income (loss)			
Item that will be reclassified subsequently to net income			
Exchange differences on translating foreign operations		**170**	(62)
COMPREHENSIVE INCOME		**$ 3,262**	$ 496
Earnings per share	(Note 7)		
Basic		**$ 0.06**	$ 0.01
Diluted		**$ 0.06**	$ 0.01

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
Note 4 presents additional information on consolidated comprehensive income.

Consolidated statements of financial position
(in thousands of Canadian dollars) (unaudited)

As at		**March 31, 2020**	**December 31, 2019**
Assets			
Current assets			
Cash		**$ 29**	$ 61
Trade and other receivables		**14,474**	11,520
Inventories		**12,177**	11,751
Prepaid expenses		**416**	237
Total current assets		**27,096**	23,569
Non-current assets			
Property, plant and equipment	(Note 8)	**29,087**	28,573
Intangible assets		**1,245**	1,220
Total non-current assets		**30,332**	29,793
Total assets		**$ 57,428**	$ 53,362
Liabilities and equity			
Current liabilities			
Bank indebtedness	(Note 9)	**3,571**	4,538
Trade and other payables		**8,417**	5,922
Current tax liabilities		**168**	126
Long-term debt, current portion	(Note 9)	**1,935**	1,922
Lease obligations, current portion	(Note 9, 10)	**1,070**	1,104
Total current liabilities		**15,161**	13,612
Non-current liabilities			
Long-term debt	(Note 9)	**5,953**	6,442
Deferred tax liabilities		**1,157**	1,222
Lease obligations	(Note 9, 10)	**2,213**	2,414
Total non-current liabilities		**9,323**	10,078
Total liabilities		**24,484**	23,690
Equity			
Share capital	(Note 11)	**11,875**	11,875
Reserves		**2,392**	2,212
Retained earnings		**18,677**	15,585
Total equity		**32,944**	29,672
Total liabilities and equity		**$ 57,428**	$ 53,362

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

(s) Joseph Abbandonato
Joseph Abbandonato
Director

(s) Mario Settino
Mario Settino
Director

Consolidated statements of changes in equity
For the three-month periods ended March 31, 2020 and 2019
(in thousands of Canadian dollars) (unaudited)

		Reserves					
	Share capital (a)	**Share-based compensation**	**Accumulated foreign currency translation**	**Warrants**	**Total reserves**	**Retained earnings**	**Total**
Balance at December 31, 2018	$ 11,875	$ 1,074	$ 729	$ 465	$ 2,268	$ 14,280	$ 28,423
Adjustments related to the adoption of IFRS 16	-	-	-	-	-	(231)	(231)
Balance at January 1, 2019	11,875	1,074	729	465	2,268	14,049	28,192
Net income for the period	-	-	-	-	-	558	558
Exchange differences on translating foreign operations	-	-	(62)	-	(62)	-	(62)
Comprehensive income for the period	-	-	(62)	-	(62)	558	496
Transactions with owners:							
Share-based compensation (Note 12)	-	24	-	-	24	-	24
Balance at March 31, 2019	$11,875	$ 1,098	$ 667	$ 465	$ 2,230	$ 14,607	$ 28,712
Balance at January 1, 2020	**$11,875**	**$1,149**	**$ 598**	**$ 465**	**$ 2,212**	**$ 15,585**	**$ 29,672**
Net income for the period	**-**	**-**	**-**	**-**	**-**	**3,092**	**3,092**
Exchange differences on translating foreign operations	**-**	**-**	**170**	**-**	**170**	**-**	**170**
Comprehensive income for the period	**-**	**-**	**170**	**-**	**170**	**3,092**	**3,262**
Transactions with owners:							
Share-based compensation (Note 12)	**-**	**10**	**-**	**-**	**10**	**-**	**10**
Balance at March 31, 2020	**$11,875**	**$ 1,159**	**$ 768**	**$ 465**	**$ 2,392**	**$ 18,677**	**$ 32,944**

(a) Additional detail of share capital is provided in Note 11.
The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Consolidated statements of cash flows
(in thousands of Canadian dollars) (unaudited)

for the	Three months ended March 31, 2020	2019
Operating activities:		
Net income for the period	**$ 3,092**	$ 558
Income tax expense	**525**	265
Depreciation and amortisation of non-current assets	**938**	796
Finance costs	**175**	184
Share-based compensation	**10**	24
Unrealized foreign exchange (gain) loss	**(1,679)**	323
	3,061	2,150
Net changes in working capital		
(Increase) decrease in trade and other receivables	**(2,668)**	2,037
Decrease in inventories	**55**	52
Increase in prepaid expenses	**(175)**	(274)
Increase (decrease) in trade and other payables	**2,322**	(541)
	(466)	1,274
Cash generated by operating activities	**2,595**	3,424
Net income taxes paid	**(548)**	(299)
Net cash generated by operating activities	**2,047**	3,125
Investing activities:		
Payments for property, plant and equipment	**(190)**	(399)
Net cash used in investing activities	**(190)**	(399)
Financing activities:		
Net change in bank indebtedness	**(967)**	(1,984)
Interest paid	**(175)**	(183)
Repayment of long-term debt	**(476)**	(300)
Repayment of leases	**(272)**	(238)
Net cash used in financing activities	**(1,890)**	(2,705)
Net (decrease) increase in cash	**(33)**	21
Cash, beginning of the period	**61**	311
Effects of foreign exchange differences on cash	**1**	(4)
Cash, end of period	**$ 29**	$ 328

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

Notes to the interim condensed consolidated financial statements
for the three-month periods ended March 31, 2020 and 2019

Amounts in tables are expressed in thousands of Canadian dollars, except per share information
(unaudited)

1. General information

Imaflex Inc. (the "Parent Company") is incorporated under the Canada Business Corporations Act. Its registered office and headquarters are located at 5710 Notre-Dame Street West, Montreal, Quebec, Canada. The principal activities of the Parent Company and its subsidiary (together referred to as the "Company") consist in the manufacture and sale of products for the flexible packaging industry, including polyethylene film and bags, as well as the metallization of plastic film for the agriculture and packaging industries. The common shares of the Parent Company are listed for trading on the TSX Venture Exchange under the symbol "IFX".

2. Significant accounting policies

2.1 Basis of Presentation

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. These interim condensed consolidated financial statements were prepared using the same basis of presentation and accounting policies as outlined in Note 2, *Significant accounting policies* of our Consolidated financial statements for the years ended December 31, 2019 and 2018. These interim condensed consolidated financial statements do not include all the notes and disclosures required in annual financial statements. All amounts are in Canadian dollars, except where noted.

The interim condensed consolidated financial statements were approved by the board of directors and authorized for issue on May 26, 2020.

3. Segment information

The Company operates in one reportable segment, comprising the development, manufacture and sale of flexible packaging material in the form of film or bags, for various uses.

3.1 Revenues by geographical end market

The Company's revenues by geographical end market are as follows:

	Three months ended March 31,	
	2020	**2019**
Canada	**$ 8,500**	$ 8,914
United States	**12,531**	12,937
Other	**-**	16
Total	**$ 21,031**	$ 21,867

3.2 Property, plant and equipment, right-of-use assets and intangible assets per geographic location

	March 31, 2020	**December 31, 2019**
Canada	**$ 8,664**	$ 9,037
United States	**21,668**	20,756
Total	**$ 30,332**	$ 29,793

Amounts in tables are expressed in thousands of Canadian dollars, except per share information

4. Additional information on the consolidated statements of comprehensive income

The Company's consolidated statements of comprehensive income include depreciation of production assets and accessories of $0.9 million for the quarter ended March 31, 2020 ($0.7 million in 2019) classified in Cost of sales, which includes the depreciation for right-of-use assets of $0.3 million ($0.3 million in 2019). Depreciation of other property, plant and equipment and amortisation of intangible assets amounting to $0.1 million for the quarter ended March 31, 2020 ($0.1 million in 2019) is included in Administrative expenses.

The Company's consolidated statements of comprehensive income include salaries paid to its employees of $2.5 million for the quarter ended March 31, 2020 ($2.5 million in 2019) classified in Cost of sales. Administrative expenses include salaries paid to employees of $0.5 million for the quarter ended March 31, 2020 ($0.5 million in 2019). Selling expenses include salaries paid to employees of $0.1 million for the quarter ended March 31, 2020 ($0.1 million in 2019).

5. Employee benefits

The Company contributes to state-run pension plans, employment insurance, group insurance and social security for its employees. The costs incurred for the employee benefits noted above amounted to $0.7 million for the quarter ended March 31, 2020 ($0.7 million in 2019). These payments are expensed as incurred and the Company does not recognise any gains or losses subsequent to the payment of these benefits.

The Company also offers a defined contribution employee benefit plan to its employees located in North Carolina, USA. For the quarter ended March 31, 2020, the Company contributed $8 thousand to this plan ($8 thousand in 2019).

6. Finance costs

	Three months ended March 31,	
	2020	**2019**
Interest on bank indebtedness and long-term debt	**$ 129**	$ 121
Interest on lease obligations	**46**	84
Capitalized interest	**-**	(21)
	$ 175	$ 184

7. Earnings per share

	Three months ended March 31,	
	2020	**2019**
Net income for basic and diluted earnings per share	**$ 3,092**	$ 558
Weighted average number of common shares outstanding	**50,014**	50,014
Dilutive effect of share purchase options	**548**	830
Diluted weighted average common shares outstanding	**50,562**	50,844
Basic earnings per common share	**$ 0.06**	$ 0.01
Diluted earnings per common share	**$ 0.06**	$ 0.01

450,000 stock options outstanding as at March 31, 2020 were not included in the calculation of earnings per share because they were antidilutive (450,000 as at March 31, 2019).

Amounts in tables are expressed in thousands of Canadian dollars, except per share information

8. Property, plant and equipment

	Land	Building	Production equipment	Leasehold improvements	Office equipment	Computer equipment	Rolling Stock	Total
Cost								
January 1, 2019	23	117	$ 54,674	$ 2,827	$ 46	$ 524	$ -	$ 58,211
IFRS 16 Impact	-	3,656	68	-	41	-	228	3,993
Additions	-	-	7,134	87	8	34	37	7,300
Disposals	-	-	(16)	-	-	-	-	(16)
Foreign exchange	(1)	(33)	(1,175)	(60)	(1)	(2)	(1)	(1,273)
December 31, 2019	$ 22	$3,740	$ 60,685	$ 2,854	$ 94	$ 556	$ 264	$ 68,215
Amortisation	**-**	**-**	**190**	**-**	**-**	**-**	**-**	**190**
Foreign exchange	**2**	**61**	**2,287**	**112**	**2**	**5**	**6**	**2,475**
March 31, 2020	**24**	**3,801**	**63,162**	**2,966**	**96**	**561**	**270**	**70,880**
Accumulated depreciation								
January 1, 2019	-	(15)	(34,110)	(2,338)	(46)	(519)	-	(37,028)
Additions	-	(935)	(2,063)	(162)	(9)	(20)	(42)	(3,231)
Disposals	-	-	2	-	-	-	-	2
Foreign exchange	-	7	559	46	1	2	0	615
December 31, 2019	-	(943)	(35,612)	(2,454)	(54)	(537)	(42)	(39,642)
Amortisation	**-**	**(239)**	**(625)**	**(36)**	**(2)**	**(5)**	**(11)**	**(918)**
Foreign exchange	**-**	**(31)**	**(1,105)**	**(89)**	**(2)**	**(5)**	**(1)**	**(1,233)**
March 31, 2020	**-**	**(1,213)**	**(37,342)**	**(2,579)**	**(58)**	**(547)**	**(54)**	**(41,793)**
Net book value, as at								
December 31, 2019	$ 22	$ 2,797	$ 25,073	$ 400	$ 40	$ 19	$ 222	$ 28,573
March 31, 2020	**$ 24**	**$ 2,588**	**$ 25,820**	**$ 387**	**$ 38**	**$ 14**	**$ 216**	**$ 29,087**

A portion of the Company's production equipment with a carrying amount of approximately $ 15.0 million (approximately $15.0 million as at December 31, 2019) is pledged as collateral for the Company's long-term debt.

During the quarter ending March 31, 2019, the Company made an additional $1.8 million deposit on an extruder under a lease agreement.

Included in the net carrying amount of property, plant and equipment as at March 31, 2020 and 2019 are right-of-use assets as follows:

	March 31, 2020	**December 31, 2019**
Buildings	**$ 2,494**	$ 2,706
Production equipment	**322**	334
Rolling stock	**211**	218
Office equipment	**29**	32
Total right-of-use asset	**$ 3,056**	$ 3,290

Amounts in tables are expressed in thousands of Canadian dollars, except per share information (unaudited)

9. Borrowings

	March 31, 2020	December 31, 2019
Bank indebtedness (a)	**$ 3,571**	$ 4,538
Long-term debt		
Loan, bearing interest at the lender's base rate minus 0.5% (effective rate of 4.05% as at March 31, 2020 and 5.55% as at December 31, 2019), secured by production equipment having a net book value of approximately $6 million. (b)	**1,298**	1,419
Loan, bearing interest at the lender's base rate plus 0.67%, (effective rate of 5.22% as at March 31, 2020 and 6.72% as at December 31, 2019) secured by the same production equipment as the loan above. (c)	**212**	222
Loan, bearing interest at the lender's base rate minus 1.0%, (effective rate of 3.55% as at March 31, 2020 and 5.05% as at December 31, 2019) secured by production equipment having a net book value of approximately $650 thousand. (d)	**283**	308
Loan, bearing interest at a fixed rate of 3.746% secured by a $3.6 million hypothec on a piece of equipment. (e)	**3,166**	3,334
Loan, bearing interest at a fixed rate of 3.75% secured by a $3.3 million hypothec on a piece of equipment. (f)	**2,929**	3,081
Total long-term debt	**7,888**	8,364
Lease obligations	**3,283**	3,518
Total borrowings	**14,742**	16,420

	March 31, 2020	December 31, 2019
Current		
Bank indebtedness	**$ 3,571**	$ 4,538
Long-term debt, current portion	**1,935**	1,922
Lease obligations, current portion	**1,070**	1,104
	6,576	7,564
Non-current		
Long-term debt	**5,953**	6,442
Lease obligations	**2,213**	2,414
	8,166	8,856
Total borrowings	**$ 14,742**	$ 16,420

Interest on long-term debt amounted to $85 thousand for the quarter ended March 31, 2020 ($48 thousand in 2019).

Amounts in tables are expressed in thousands of Canadian dollars, except per share information

9. Borrowings (continued)

(a) The Company has an operating line of credit with its bankers to a maximum of $12.0 million, bearing interest at prime plus 0.40% as at March 31, 2020 and December 31, 2019 for an effective interest rate of 2.85% as at March 31, 2020 and 4.35% as at December 31, 2019. The line of credit is secured by trade receivables and inventories. The line of credit may be reviewed periodically by the bank and is repayable on demand. The operating line of credit is subject to working capital and debt to equity covenants (as defined in the lending agreement), all of which were respected as at March 31, 2020 and December 31, 2019. As at March 31, 2020, the Company had drawn $3.6 million ($4.5 million as at December 31, 2019) on the line of credit.

(b) The loan is repayable in monthly instalments of $40,550 until November 2022.

(c) The loan is repayable in one instalment of $3,630 in May 2019 followed by 71 monthly instalments of $3,470 until April 2025.

(d) The loan is repayable in one instalment of $8,530 followed by 59 monthly instalments of $8,330 through January 2023.

(e) The Company borrowed $3,609,480 for payments towards a piece of equipment through a loan which is repayable in blended monthly instalments of $66,072 through July 2024. This loan is secured by a hypothec on a specific piece of equipment of the Company. The progressive payments made to the supplier for this piece of equipment were initially borrowed under a lease agreement and all amounts were transferred to this loan when the equipment was fully delivered.

(f) The Company borrowed $3,280,940 for payments towards a piece of equipment that was received during the course of the 2019 fiscal year. This loan is repayable in blended monthly instalments of $60,061 through August 2024. This loan is secured by a hypothec on a specific piece of equipment of the Company. The banker's acceptance that was outstanding as at December 31, 2018 was reimbursed with the proceeds of this loan.

The aggregate scheduled repayment of long-term debt is as follows:

Not later than one year	**$ 1,935**
Later than one year and not later than five years	**5,949**
Later than 5 years	**4**
	$ 7,888

10. Lease obligations

The Company has entered into certain lease agreements. Lease payments are due as follows:

Not later than one year	**$ 1,225**
Later than one year and not later than five years	**2,363**
Later than five years	**8**
Total minimum lease payments	**3,596**
Less amount representing interest at approximately 6.8%	**(313)**
Present value of minimum lease payments	**3,283**
Less the long-term portion	**(1,070)**
Current portion of obligations under leases	**$ 2,213**

Amounts in tables are expressed in thousands of Canadian dollars, except per share information

11. Share capital

The Company's authorized share capital consists of an unlimited number of common shares, voting, participating, without par value. As at March 31, 2020 and 2019 and as at December 31, 2019, there were 50,013,637 common shares outstanding.

12. Share-based compensation

Pursuant to the Stock Option Plan (the "Plan") of the Company, 4,973,860 of the common shares are reserved for options. The Plan provides that the term of the options shall be fixed by directors. Officers and employees of the Company are eligible to receive options. Options are granted at an exercise price of not less than the fair value of the Company's shares on the date the options are granted. Options may be exercisable for a period no longer than five (5) years and the exercise price must be paid in full upon exercise of the option.

The expense related to share-based compensation totaled $10 thousand for the quarter ended March 31, 2020 ($24 thousand in 2019).

The following are the assumptions used in order to value the options as well as general information on each outstanding option grant:

Fair value assumptions	**10/09/2019**	**29/11/2018**	**29/11/2017**	**22/06/2017**	**06/09/2016**	**21/06/2016**	**16/06/2015**	**Total**
Outstanding as at 31/12/2019	100,000	250,000	150,000	50,000	500,000	1,025,000	650,000	2,725,000
Issued	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-
Outstanding as at 31/03/2020	100,000	250,000	150,000	50,000	500,000	1,025,000	650,000	2,725,000
Outstanding as at 31/03/2019	-	250,000	150,000	50,000	500,000	1,025,000	650,000	2,625,000
Exercisable as at 31/03/2020	50,000	187,500	150,000	50,000	500,000	1,025,000	650,000	2,637,500
Exercisable as at 31/03/2019	-	62,500	112,500	50,000	500,000	1,025,000	650,000	2,400,000
Remaining life of options (yrs)	4.45	3.67	2.67	2.23	1.44	1.23	0.21	
Fair value assumptions								
Expected life of options (yrs)	2.5 to 3.25	2.5 to 3.25	2.5 to 3.25	2.5 to 3.25	2.5 to 3.25	2.75 to 3.5	2.75 to 3.5	
Expiry	10/09/2024	29/11/2023	29/11/2022	22/06/2022	06/09/2021	21/06/2021	15/06/2020	
Expected share price volatility	61.21% - 64.47%	67.14% - 70.41%	79.13% - 80.17%	80.01% - 83.03%	76.59% - 79.60%	75.95% - 82.15%	83.19% - 98.85%	
Dividend yield	0%	0%	0%	0%	0%	0%	0%	
Risk free rate	1.44%	2.23%	1.62%	1.15%	0.51%	0.50%	0.55% to 0.65%	
Exercise price	$ 0.55	$ 0.76	$ 1.11	$ 1.03	$ 0.42	$ 0.40	$ 0.52	
Share price on grant date	$ 0.55	$ 0.76	$ 1.11	$ 1.03	$ 0.42	$ 0.40	$ 0.52	
Fair value of option at grant	$ 0.30	$ 0.35	$ 0.57	$ 0.53	$ 0.21	$ 0.21	$ 0.30	

The expected volatility was calculated using the average closing price change of the Company's shares on the TSX Venture Exchange over the expected life of the options.

Amounts in tables are expressed in thousands of Canadian dollars, except per share information

13. Financial instruments

13.1 Fair value and classification of financial instruments

	Carrying amount		Fair Value	
	March 31, 2020	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Financial assets				
Loans and receivables				
Cash	**$ 29**	$ 61	**$ 29**	$ 61
Trade and other receivables (1)	**14,373**	11,409	**14,373**	11,409
	14,402	11,470	**14,402**	11,470
Financial liabilities				
Financial liabilities, at amortised cost				
Bank indebtedness	**3,571**	4,538	**3,571**	4,538
Trade and other payables (2)	**7,104**	4,686	**7,104**	4,686
Long-term debt	**7,888**	8,364	**8,018**	8,364
	18,563	17,588	**18,693**	17,588

(1) Excludes sales taxes
(2) Excludes employee benefits

Fair value estimates are made as of the date of the consolidated statement of financial position, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments:

- The fair value of cash, trade and other receivables, bank indebtedness, short-term borrowings and trade and other payables approximates their respective carrying amounts as at the date of the consolidated statement of financial position because of the short-term maturity of those instruments.

- The fair value of long-term debt that bears interest at floating rates approximates its carrying value as the interest rate applicable to the loan reflects the latest market rates whereas long term debt that bears interest at fixed rates is estimated using a discounted cash flows approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risks.

The Company ensures, to the extent possible, that its valuation techniques and assumptions incorporate all factors that market participants would consider in setting a price and that it is consistent with accepted economic methods for pricing financial instruments.

13. Financial instruments (continued)

13.2 Fair value hierarchy

The Company categorizes its financial instruments into a three-level fair value measurement hierarchy as follows:

Level–1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level–2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level–3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2020 and December 31, 2019, the fair values of long-term debt and lease obligations are categorised as Level 2.

14. Non-cash transactions

During the quarter ended March 31, 2019, the Company made a $1.8 million interim payment for a piece of equipment under an existing lease agreement. This payment was included in property, plant and equipment and in the long-term lease obligations in the statement of financial position.

15. COVID-19

COVID-19 may cause significant changes to the Company's assets or liabilities in the coming year, particularly to accounts receivables, although to date the Company's assessment did not identify customers with a great exposure to segments of the economy most impacted by the crisis. These events may also have an impact on future operations, although for the moment all of the Company's plants remain fully operational at normal business levels given it is considered an essential supplier. The Company has taken and will continue to take action to minimize the impact. However, it is impossible to determine the financial implications of these events for the moment.