

MANAGEMENT DISCUSSION AND ANALYSIS

PREFACE

This Management Discussion and Analysis (MD&A) comments on Imaflex Inc.'s (the "Parent Company") operations, financial performance, financial condition, future outlook and other matters for the three and nine-month periods ended September 30, 2017 and September 30, 2016. Unless otherwise indicated, the terms "Imaflex", "Company", "we", "our", and "us" all refer to Imaflex Inc., together with its divisions Canguard Packaging and Canslit, along with its wholly owned subsidiary, Imaflex USA Inc. All intercompany balances and transactions have been eliminated on consolidation.

This MD&A also provides information to improve the reader's understanding of the accompanying interim condensed consolidated financial statements and related notes. It should be read together with our unaudited interim condensed consolidated financial statements for the periods ended September 30, 2017 and 2016 as well as our audited consolidated financial statements for the years ended December 31, 2016 and 2015.

Unless otherwise indicated, all financial data in this document was prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and all amounts in tables are expressed in thousands of Canadian dollars unless otherwise indicated. Differences may occur due to rounding of amounts. We also use financial measures that are not defined by IFRS. Please refer to the section entitled "Non-IFRS Financial Measures" for a complete description of these measures. This MD&A was reviewed by Imaflex's Audit Committee and approved by the Board of Directors on November 27, 2017. Disclosure contained within it is current to that date, unless otherwise indicated.

Additional information on Imaflex is available on our website at www.imaflex.com and on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

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

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

We caution our readers that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by the securities authorities, we do not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf. The forward-looking statements contained herein are based on information available as of November 27, 2017.

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COMPANY OVERVIEW

Imaflex is focused on the development and manufacturing of innovative solutions for the flexible packaging and agricultural markets. The Company's flexible packaging products are largely used to protect and preserve and consist primarily of polyethylene (plastic) films and bags, and metalized films. Our polyethylene films are mainly sold to printers known as "converters", who process the film into a finished product to meet their end-customer needs. Additionally, our films are sold directly to customers to protect and market their own products, or bought by distributors for re-sale.

Our agricultural films are finished products, predominantly sold directly to end-users by Imaflex. They are available in a variety of formats and include both metalized and non-metalized films. Our portfolio includes common mulch and fumigant barrier films, which are also available in a compostable plastic, as well as innovative crop protection films, that add pest/weed control and/or accelerated growth benefits beyond those provided by our common mulch films.

Imaflex operates three manufacturing facilities. Two are located in the province of Quebec, including Montreal (Imaflex Inc.) and Victoriaville (Canguard and Canslit), and one is located in Thomasville, North Carolina, USA (Imaflex USA). The Company also has a warehouse in Thomasville. The four facilities cover a total area of approximately 21,182 square meters or 228,000 square feet. Imaflex and Imaflex USA specialize in the manufacturing and sale of custom-made polyethylene films and bags, along with non-metalized agricultural films. Canguard specializes in the manufacturing and sale of polyethylene garbage bags, while Canslit specializes in the metallization of plastic film. We believe that our manufacturing presence in both Canada and the United States provides a competitive advantage in terms of logistics, currency, manufacturing flexibility and cost leadership.

The common shares of the Parent Company, Imaflex Inc., are listed on the TSX Venture Exchange under the symbol "IFX". The Company's head office is located in Montréal (Québec).

GROWTH STRATEGY

Imaflex's history attests to its management's ability to successfully adapt to prevailing and continuously changing market conditions. Management believes that success will also lie in the ability to properly manage future growth whether it comes from new markets and products, acquisitions, mergers, or a combination of any or all three. This success will depend on the Company's ability to seek out new opportunities and to position itself such that it will be able to take advantage of them when they present themselves. Past decisions have been made bearing this in mind and the Company is now in a better position to make this happen.

Management believes the following initiatives will contribute to Imaflex's long term growth.

Strengthen the Core

We will continue to strengthen the core flexible packaging business. This includes revenue growth and margin expansion through higher production volumes geared towards the most profitable markets and products, along with a focus on lean operations (minimizing scrap, reducing production set-up times, etc.). In addition to enhancing our organic growth, we will also consider strategic acquisitions that make sense in terms of complementary fit, cost and ease of integration.

Grow the Agriculture Business

We will continue to build-out our agriculture business, driving awareness and exposure for our advanced crop protection films, particularly Shine N' Ripe XL and ADVASEAL®. Our crop protection films are mulch films surface coated with either metallic aluminum or chemical/biological active substances aimed to protect plants from disease transmitting insects, to limit the growth of soil borne pests and weeds and/or to accelerate the growth of plants.

MANAGEMENT DISCUSSION AND ANALYSIS

GROWTH STRATEGY (continued)

Grow the Agriculture Business (continued)

Shine N' Ripe XL

Shine N' Ripe XL is a long-lasting, heavy-duty, highly-reflective metalized mulch film designed specifically to fight citrus greening (HLB), a bacterial disease transmitted by the Asian Citrus Psyllid (ACP). HLB has devastated the global citrus industry, causing deformed off-flavored fruits, low yields and inevitably early tree deaths. Common insecticides have proven to be ineffective in preventing HLB infestation in newly planted citrus groves.

Shine N' Ripe XL's unique ability to reflect 85% of solar ultraviolet (UV) light repels the ACP and hence prevents HLB infestation in young citrus trees. In addition, Shine N' Ripe XL nearly doubles tree growth and yields by providing more sunlight to the lower tree parts, usually hidden in the canopy's shadow. Importantly, Shine N' Ripe XL also significantly suppresses weeds and reduces water and fertilizer consumption compared to traditional growing methods. As well, Shine N' Ripe XL's proprietary anti-corrosion coating has been shown to maintain its initial high UV reflectivity for at least 3 years, making it one of the most environmentally-friendly and economically-viable tools for coping with citrus greening.

ADVASEAL®

Plastic films are used in the growth of fresh fruits and vegetables worldwide to cover the soil after it is treated with fumigants - volatile and toxic pesticides - and herbicide sprays, which are essential for providing a pest and weed free (disinfested) soil for the undisturbed growth of new crop seedlings. ADVASEAL®, which is currently under development, simplifies the soil disinfestation process, making it safer, more environmentally-friendly and cost effective by releasing modern non-volatile crop protection products under controlled conditions from a coated plastic mulch, replacing the need for spraying. The underlying technology is patent protected in the top 20 major vegetable and fruit producing countries worldwide until 2032.

ADVASEAL® releases the crop protection products only when applied to the moist soil and eliminates costly work steps associated with fumigant and herbicide application. It permits the precise application of a low dose of crop protection products to improve crop quality and yields. ADVASEAL® is safe to transport, store and handle and its application is emission-free, eliminating the risk of inhalation and environmental damage present with the spray drift of fumigants and herbicides under current agricultural practices.

In addition to being an environmentally-friendly product, management estimates that ADVASEAL® will provide significant savings to growers depending on the crop grown. Collectively, this puts Imaflex in a good position to capture market share as ADVASEAL® is commercialized.

Maintain focus on Research and Development

We will maintain our focus on enhancing the customer value proposition, developing new capabilities and leading edge products for highly profitable niche markets. In addition to building out our core flexible packaging product portfolio, we will also concentrate on introducing new proprietary technologies, in order to offer solutions that are more cost effective and environmentally-friendly than traditional methods. The Company's research teams use the fields in which they have core-competencies in order to identify innovative improvements and solutions where chemicals and polymers can offer added-value.

Maintain Efficiency of Equipment

Finally, we will focus on the efficiency of our equipment, making the required capital investments to maintain, upgrade and expand into new areas. Our commitment to make the required capital investments, and our ability to deliver customized solutions, on-time and at competitive prices should help to drive revenue and margin expansion, while allowing us to remain competitive in the marketplace.

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MARKET OVERVIEW

The North American flexible packaging market is valued at approximately US \$28 billion. Although this market is highly fragmented and commoditized in terms of pricing, there are niches within the larger space that offer the opportunity for increased profitability. In 2017, Imaflex was ranked in the top 100 North American film and sheet manufacturers by sales.

The total addressable global agriculture mulch film market is valued at approximately US \$9 billion, for which the Company has and continues to develop innovative and proprietary solutions. In the US alone, the Company estimates that approximately 130 million pounds of mulch film is being used, resulting in an estimated total addressable market of approximately US \$750 million.

Going forward, the Company hopes to capture a much larger share of the agriculture film market due to its next generation crop protection and yield enhancement products, Shine N' Ripe XL and ADVASEAL®. With growing concerns over the scarcity of resources, the environment, lower crop yields due to disease, and a rising global population, the Company believes that the macro-environment is working in its favour. Sustainability and intelligent farming are becoming increasingly important.

COMPETITIVE ENVIRONMENT

Although competition is high in all our markets, Imaflex operates in a multi-billion dollar industry with a multitude of product opportunities. Flexible packaging alone is used in almost every consumer product market to protect and preserve. Additionally, many of the Company's customers deal in food related products, which is somewhat recession resistant.

Imaflex believes it has a competitive edge since it is recognized as being an industry leader in the development of innovative solutions. The Company focuses on offering customers unique high quality products on a timely basis and at competitive prices. A key strength of ours is the ability to take on smaller orders with short lead times. Collectively, this helps create customer loyalty.

Some competitors, experiencing idle operations or producing at below average capacity levels, may attempt to gain market share through reduced pricing, particularly during difficult economic times. Imaflex still believes that maintaining its focus on the quality of its products and the excellence of its customer service remains its best long-term strategy, as these two characteristics define our position and reputation in the market, and this regardless of the fluctuations in the economic cycle. This strategy has been the backbone of our growth and it has served us well.

We employ a staff of chemical engineers and a chemist, which allows us to develop unique solutions. In our markets, we believe it is essential to sell value-added products and avoid producing highly commoditized offerings generating lower margins. The key to this strategy is identifying and building relationships with customers having specific needs and eventually developing products that address them. Our sales force is mandated to seek out such clients and the Company works to ensure its sales team is technically accomplished and equipped to properly communicate the advantages of all products.

EMPLOYEES AND CORPORATE OFFICE

Imaflex currently employs 220 people in North America and our corporate head office is located in Montreal, Canada. The Company currently has no unionized employees.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTSOURCING

Our industry is capital intensive and labour is only a minor component in the total cost of production. As a result, outsourcing our manufacturing to countries with lower wages would not have a material impact on costs, especially when factoring in expenses related to freight and duty. Furthermore, the risks associated with relinquishing our control over quality and delays in delivery deadlines would far outweigh any minimal benefit that would be generated by lower labour costs.

However, in the effort of eliminating bottlenecks in our production process when our capacity usage is very high, Management may consider the use of third-party manufacturers for certain activities in order to meet all production deadlines and ensuring the best service to our customers.

NON-IFRS FINANCIAL MEASURES

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

Reconciliation of EBITDA to net income (loss):

(\$ thousands, except per share data)	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net income (loss)	\$ 556	\$ (104)	\$ 3,001	\$ 247
Plus:				
Income taxes	50	120	1,161	376
Finance costs	142	132	418	413
Depreciation and amortization	500	484	1,474	1,440
EBITDA	\$ 1,248	\$ 632	\$ 6,054	\$ 2,476
Basic EBITDA per share *	\$ 0.03	\$ 0.01	\$ 0.12	\$ 0.05
Diluted EBITDA per share *	\$ 0.02	\$ 0.01	\$ 0.12	\$ 0.05

*Basic weighted average number of shares outstanding of 49,738,637 for the three-month period ended September 30, 2017 (49,738,637 in 2016) and 49,738,637 for the nine-month period ended September 30, 2017 (49,683,892 in 2016). Diluted weighted average number of shares outstanding of 51,284,856 for the three-month period ended September 30, 2017 (49,738,637 in 2016) and 50,956,943 for the nine-month period ended September 30, 2017 (49,718,917 in 2016).

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

RISK FACTORS

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

MANAGEMENT DISCUSSION AND ANALYSIS

RISK FACTORS (continued)

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

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

GENERAL SITUATION OF THE POLYETHYLENE BLOWN FILM MARKET

The polyethylene and the plastics market in general was affected by a tightening of supply following major storms in the southern USA during the quarter. This impacted both the quantity of material available and the price at which it was sold. As such, polyethylene resin prices increased throughout the period, increasing raw material costs. To offset the higher input costs, Imaflex introduced some increases in the selling price of extruded film and printed bags. It is expected that prices will decrease once the supply in the market stabilizes, but the exact timing remains difficult to predict. The Company does not expect the price fluctuations in resin to have a material impact on 2017 results.

LOSS OF BUSINESS FROM A SIGNIFICANT CUSTOMER

One of our business practices has been to limit the purchases by any particular customer to less than 10% of our revenues. This strategy ensures us that our profitability and financial well-being are not dependent on any one client.

COMPETITION FROM OTHER COMPANIES

Imaflex operates in the highly competitive multi-billion dollar flexible packaging and agricultural film markets. This said, we believe the Company has a competitive edge over the competition due to our highly skilled teams that are quick to respond to customer needs, a diversified manufacturing base and the bulk of our customers deal in food related products which are less subject to recessionary and seasonal pressures. It may not always translate into greater net profit, but it should result in customer loyalty if we decide to match our competitors' prices.

SEASONALITY OF OPERATIONS

Some products produced at our Victoriaville and Thomasville facilities are subject to seasonality as a result of the plants partial manufacturing focus on the production of agricultural film for fruit and vegetable growers. Customer demand in this end-market peaks twice yearly. Inventory is managed in a way to optimize cash flow, while remaining able to react to any market opportunities that present themselves. However, because these locations also manufacture products that are destined for other markets, they are not overly affected by seasonal downturns.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO PRODUCT LIABILITY

Due to the nature of our operations, which consist primarily of manufacturing polyethylene film for converters, who process the film into a finished product for their end-customers, Imaflex's exposure to product liability is low. Imaflex is not exposed to liability for personal injury or death arising from negligence in the manufacturing of the films either.

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

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

FLUCTUATIONS IN OPERATING RESULTS

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

EXPOSURE TO INTEREST RATE FLUCTUATIONS

The Company's borrowings which bear interest at a variable rate have some interest rate risk. Management assesses its exposure to interest rate fluctuations and decides whether it may be favourable to enter into contracts to hedge this risk based on expectation of future movements and the available economic data. Recent interest rate hikes may affect the Company's future cost of borrowing however, for the moment management is not hedging any of its interest rate exposure and expects this exposure to lessen as the outstanding balance of its long term borrowings decreases.

ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL

Imaflex's core operational management team has been stable over the past years and the Company was able to keep key competencies within the firm. This includes its three founders, who have more than 100 years of combined experience in management and research and development. As the Company has grown, it has also strengthened its team with the addition of individuals having a variety of competencies, be it accounting, operations, or engineering.

Management promotes a work environment that allows for the free exchange of ideas in an effort to ensure that the Company remains at the forefront of its industry. We are confident that we can retain and, if need be, attract qualified individuals that will contribute to our on-going goal of building shareholder value.

FOREIGN EXCHANGE FLUCTUATIONS

A portion of the Company's sales and expenses as well as accounts receivable and payable are denominated in US dollars. A portion of the revenue stream in US dollars acts as a natural hedge to cover expenses denominated in US dollars. The Company also has the possibility of borrowing amounts on its line of credit in US dollars. The Company has increased its debt in US dollars to obtain additional revenue streams in US dollars. When this additional business fully materializes, the Company's exposure to foreign currency should be managed naturally. Management continuously assesses its exposure to such risk and the Company does not currently use any financial instruments to hedge its foreign currency position.

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ENVIRONMENTAL HAZARDS

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

RESULTS OF OPERATIONS

During the third quarter, the Company continued to strengthen the business, improving both sales and profitability over 2016. Although currency fluctuations resulted in a material foreign exchange loss, it was offset by strong growth across the company, tight cost controls and operational efficiencies. Business momentum has grown significantly over the past year, resulting in much improved year-over-year performance.

(\$ thousands)	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Sales	\$20,791	\$16,997	\$66,902	\$54,570

Sales increased by \$3.8 million or 22.3% in the third quarter of 2017 compared to the third quarter of 2016, mainly due to higher sales volumes and an increase in the average sales price due to a favourable product mix. Growth was seen across the business and in all geographies. Sales of Shine N' Ripe XL, the Corporation's metalized citrus film, stood at \$1.5 million for the quarter.

Over the nine-month period, the upward trend in sales led to a \$12.3 million or 22.6% improvement over 2016, mostly due to volume increases in all businesses. Notably, the Company also benefited from a new revenue stream in 2017, namely Shine N' Ripe XL citrus film sales, as well as an improved product mix.

(\$ thousands)	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Gross Profit before amortization of production equipment	\$3,522	\$2,090	\$12,299	\$7,648
Gross Profit margin before amortization of production equipment	16.9%	12.3%	18.4%	14.0%
Amortization of production equipment	459	407	1,315	1,220
Gross profit	\$3,063	\$1,683	\$10,984	\$6,428
Gross profit margin	14.7%	9.9%	16.4%	11.8%

The Company's gross profit before the amortization of production equipment increased by \$1.4 million or 68.5% in the third quarter of 2017 over the corresponding period in 2016, and the associated gross margin improved from 12.3% in 2016 to 16.9% in 2017. Despite experiencing the usual lower production volumes in the third quarter due to planned plant shutdowns for preventative maintenance, the Company was nonetheless able to continue leveraging its production capacity, with heightened production and sales volumes generating improved operational efficiencies.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (continued)

Following the acquisition of equipment that was put in use in the third quarter of 2017, the depreciation expense increased slightly, but the net year-over-year increase in gross profit after amortization grew by \$1.4 million or 82% for the quarter and the associated margin improved from 9.9% in 2016 to 14.7% in 2017.

Over the nine-month period, the continued improvement in operational efficiencies led to a \$4.7 million, or 60.8%, increase in the year-over-year gross profit before the amortization of production equipment, and the associated gross margin increased by 4.4 percentage points, going from 14.0% in 2016 to 18.4% in 2017. After the amortization of production equipment, the increase totaled \$4.6 million or 70.9% and the associated gross profit margin increased by 4.6 percentage points, going from 11.8% for the nine-month period in 2016 to 16.4% in 2017.

(\$ thousands)	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Selling and administrative	\$1,657	\$1,632	\$5,200	\$4,874
As a % of sales	8.0%	9.6%	7.8%	8.9%

Selling and administrative expenses increased slightly in the third quarter of 2017 compared to the corresponding period in 2016, which is in line with the higher sales levels. However, due to the larger revenue base, expenses decreased as a percentage of sales, going from 9.6% in the third quarter of 2016 to 8.0% in 2017. This was due to tight expense controls and better leverage on fixed costs.

For the nine months ended September 30, 2017, selling and administrative expenses grew by \$0.3 million, following the increase in sales. However, due to the higher revenue base and on-going cost controls, they decreased as a percentage of sales, coming down from 8.9% in 2016 to 7.8% in 2017.

(\$ thousands)	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Finance costs	\$142	\$132	\$418	\$413

Finance costs increased slightly in the third quarter of 2017 compared to the same period in 2016, due to an increase in interest rates, a new loan received in the fourth quarter of 2016 and new finance leases which commenced in the third quarter of 2017.

Over the nine-month period, finance costs remained relatively constant year-over-year as a decrease in long term loans outstanding offset the impact of higher interest rates and the new financing concluded since the end of the prior year period.

(\$ thousands)	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Foreign exchange losses/(gains)	\$617	\$(121)	\$1,124	\$453

The depreciation of the US dollar versus the Canadian dollar throughout the current quarter caused foreign exchange losses totaling \$0.6 million for the three-month period in 2017, while the appreciation of the US dollar against the Canadian dollar for the corresponding period in 2016 led to a gain of \$0.1 million. Foreign exchange therefore resulted in a year-over-year negative impact of \$0.7 million.

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RESULTS OF OPERATIONS (continued)

Over the nine-month period, the depreciation of the US dollar against the Canadian dollar resulted in a foreign exchange loss of \$1.1 million in 2017 versus a loss of \$0.5 million in 2016. As a result, foreign exchange movements resulted in a negative year-over-year impact of \$0.7 million.

(\$ thousands)	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Income taxes	\$50	\$120	\$1,161	\$376
As a % of income before income taxes	8.3%	750%	27.9%	60.4%

Despite the improved profitability, the income tax expense decreased slightly in the third quarter of 2017 compared to the same period in 2016, due to certain prior period adjustments.

For the nine-month period, the income tax expense increased by \$0.8 million due to the improved profitability and represents 27.9% of income before income taxes in 2017, in line with the Company's statutory tax rate of 26.9%, compared to 60.4% for the corresponding period in 2016.

(\$ thousands, except per share data)	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net income (loss)	\$556	\$(104)	\$3,001	\$247
Basic earnings per share	\$0.01	\$(0.00)	\$0.06	\$0.01
Diluted earnings per share	\$0.01	\$(0.00)	\$0.06	\$0.01

Profitability improved, from a loss of \$0.1 million in the third quarter of 2016 to net income of \$0.6 million in the third quarter of 2017. The improvement in 2017 stemmed from top line growth and operational efficiencies. This was partially offset by foreign exchange losses, following a strengthening of the Canadian dollar versus the US dollar.

Over the nine-month period, year-over-year net income increased by \$2.8 million due to heightened sales, on-going operational efficiencies, tight cost controls and higher equipment utilization levels. Movements in foreign exchange negatively impacted 2017 year-to-date results by \$0.7 million, although the majority of this loss did not impact cash, and overall results still improved materially over 2016.

Financial Position

September 30, 2017 vs. December 31, 2016

Working capital grew from \$6.0 million as at December 31, 2016 to \$8.4 million as at September 30, 2017, demonstrating the improvement in the Company's financial position throughout fiscal 2017, compared to the end of fiscal 2016. The higher sales in 2017 led to increases in trade receivables and inventories. As well, following the storms in the USA, important resin purchases were made at the end of the quarter to ensure adequate inventory levels. Part of this growth was financed through bank indebtedness, which increased by \$1.9 million over the nine-month period. Trade and other payables remained unchanged over the nine-month period.

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SUMMARY OF QUARTERLY RESULTS

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

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

	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15
Revenues	\$20,791	\$24,055	\$22,056	\$18,943	\$16,997	\$18,195	\$19,378	\$17,084
Net income (loss)	556	1,300	1,145	161	(104)	523	(172)	317
Earnings (loss) per share								
Basic and diluted	0.011	0.026	0.023	0.003	(0.002)	0.010	(0.003)	0.006

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

LIQUIDITY

Improvements in profitability led to an increase in cash flows from operating activities before movements in working capital for both the third quarter of 2017 and year-to-date. However, the continued investments required to achieve the heightened sales growth led to cash outflows in working capital for both periods, partially offsetting the increases provided by the improved profitability. In the third quarter of 2016, working capital movements led to cash inflows given the Company did not need to make additional investments to support operations.

Cash Flows from Operating Activities

Cash flows from operating activities before working capital for the third quarter were up \$1.2 million year-over-year, growing from \$0.6 million in 2016 to \$1.8 million in 2017 due to much stronger profitability levels. This was partially offset by changes in working capital which went from cash inflows of \$2.0 million in 2016 to outflows of \$1.3 million in 2017.

During the third quarter of 2017, the Company accelerated purchases of polyethylene resin to ensure an adequate supply following inclement weather in the southern USA, leading to cash outflows for inventories of \$2.0 million for the quarter versus outflows of \$1.0 million in 2016. As well, movements in trade payables resulted in inflows of \$2.4 million in 2016, while accelerated payments to suppliers in the third quarter of 2017 resulted in inflows of only \$0.5 million. As a result, net of changes in working capital and income taxes, Imaflex generated \$0.4 million of cash flows from operating activities in the third quarter of 2017, compared to \$2.3 million in the corresponding prior year period.

Over the nine-month period, cash flows before movements in working capital improved significantly, going from \$3.3 million in 2016 to \$7.2 million in 2017. However, important investments in working capital following the growth in sales led to cash outflows of \$5.1 million over the nine-month period in 2017, compared to cash inflows of \$0.9 million for the corresponding period in 2016. Net of the payment of income taxes, operating activities generated cash inflows of \$1.6 million over the nine-month period in 2017, compared to inflows of \$3.6 million in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY (continued)

Cash Flows from Investing Activities

During the third quarter of 2017, the Company invested \$0.4 million for capital assets, mainly for the installation of new chilling equipment and for improvements to existing production equipment. This compares to investments of \$0.4 million during the third quarter of 2016.

Over the nine-month period, the Company made capital investments totaling \$1.9 million, compared to \$1.2 million for the nine-month period in 2016. These investments are aimed at improving the Company's production process and increasing its product offerings in order to generate additional sales and profitability.

Cash Flows from Financing Activities

During the third quarter of 2017, the Company repaid \$0.4 million on its line of credit, \$0.3 million on its long term loans and \$0.1 million on its finance leases. The interest paid on borrowings totaled \$0.1 million. During the same period in 2016, the Company repaid \$1.2 million on its line of credit and reimbursed \$0.2 million of long term borrowings. The interest paid amounted to \$0.1 million.

Over the nine-month period of fiscal 2017, the Company borrowed \$1.9 million on its line of credit in order to finance the growth in its operations and repaid \$1.0 million on its long term loans and \$0.1 million on its finance leases. The interest paid on borrowings totaled \$0.4 million, resulting in net inflows relating to financing activities of \$0.4 million. During the same period in 2016, the Company repaid \$0.8 million on its line of credit, \$0.8 million on its long term loans and \$0.1 million on its finance leases. The interest paid amounted to \$0.4 million, for net outflows related to financing activities of \$2.2 million.

CONTRACTUAL OBLIGATIONS

The contractual obligations as at September 30, 2017 were as follows:

(\$ thousands)	Payments due by period			
	Total	Less than 1 year	1 – 5 years	After 5 years
Long-term debt	\$ 4,811	\$ 1,428	\$ 3,301	\$ 82
Finance leases	582	222	347	13
Operating leases	5,237	887	2,910	1,440
Bank Indebtedness	6,973	6,973	-	-
Total contractual obligations	\$ 17,603	\$ 9,510	\$ 6,558	\$ 1,535

These contractual obligations are sensitive to the fluctuation of interest rates. They are based on interest rates and foreign exchange rates effective as at September 30, 2017.

CAPITAL RESOURCES

The Company's \$12 million operating line of credit, which is secured by trade receivables and inventories, bears interest at a premium of 0.75% over the Canadian prime rate. As at September 30, 2017, the Company was using approximately \$ 7.0 million on its line of credit (\$ 5.1 million as at December 31, 2016). The Company's working capital improved, reaching \$8.4 million as at September 30, 2017 compared to \$6.0 million as at December 31, 2016, mainly due to an increase in trade receivables and inventories following the growth in sales and the tightening in supply of resin. These increases came without significantly increasing trade payables. The Company controls its financial leverage ensuring that its borrowings reflect the asset base against which the funds are borrowed as well as the profitability that is generated through the operations. The Company has sufficient capital to fund its operations and to further grow the business in the near future.

PROPOSED TRANSACTION

The Company is not currently contemplating any business acquisition or merger.

MANAGEMENT DISCUSSION AND ANALYSIS

RELATED PARTY TRANSACTIONS

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

The following table reflects the related party transactions recorded for the periods ended September 30, 2017 and 2016. For additional information, please refer to note 24, *Related party transactions* of the “Notes to the consolidated financial statements” for the years ended December 31, 2016 and 2015.

(\$ thousands)	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Professional fees and key management personnel services (a)	\$ 63	\$ 57	\$ 206	\$ 176
Rent (b)	\$ 210	\$ 211	\$ 652	\$ 645
Remuneration (c)	\$ 266	\$ 195	\$ 857	\$ 577

(a) Professional fees include transactions with Polytechnomics Inc., of which Gerald R. Phelps, Imaflex’s Vice-President – Operations, is the controlling shareholder and with Philip Nolan, a director of Imaflex, who is also a partner at Lavery de Billy L.L.P.

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

(c) Includes salaries, benefits and fees paid to key management personnel and directors.

CRITICAL ACCOUNTING POLICIES

The Company’s significant accounting policies are disclosed in note 2, *Significant accounting policies* of the consolidated financial statements for the years ended December 31, 2016 and 2015. This note explains the Company’s accounting policies under IFRS which have not changed since the Company’s last annual financial statements.

FINANCIAL INSTRUMENTS

Please refer to note 21, *Financial instruments* of the consolidated financial statements for the years ended December 31, 2016 and 2015 for disclosure on the Company’s financial instruments as well as note 23, *Risk management* for a discussion on the risks the Company is exposed to and how they are managed.

As at September 30, 2017, the Company is not using any swap, forward or hedge accounting and there were no warrants outstanding.

As at September 30, 2017, 2,500,000 options to purchase shares of the Company were outstanding at a weighted average strike price of \$0.448 of which 1,687,500 were exercisable. During the course of the second quarter of 2017, the Company granted 50,000 options to purchase shares of the Company for a period of 5 years at a price of \$1.03 per share.

As at September 30, 2016, 2,450,000 options to purchase shares of the Company were outstanding at a weighted average strike price of \$ 0.440, 612,500 of which were exercisable and there were no warrants outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

ADVASEAL® COMMERCIALIZATION

Imaflex continues to advance the commercialization of ADVASEAL® and anticipates field trial testing will begin in the first half of 2018. Most of the trials will be given to growers, and the remainder will be used for lab and US Environmental Protection Agency (EPA) testing. The chemicals to be used with ADVASEAL® will be the same ones growers use today and as such, Imaflex expects the field trials will be favourable. Positive feedback from the trials will act as a catalyst to order the equipment to produce ADVASEAL®.

MANAGEMENT OUTLOOK

Management is encouraged by the continued interest and demand for the Company's products and believes it will have a positive impact on the fourth quarter results. Based on this and the solid year-to-date performance, management is raising full year 2017 guidance, with revenues now expected to come in approximately 15% higher than the \$74 million dollars seen in calendar 2016. This is up from the Corporation's previous estimate of approximately 10% year-over-year growth.

OUTSTANDING SHARE DATA

As at September 30, 2017, the Company had 49,738,637 common shares outstanding (49,738,637 as at September 30, 2016 and December 31, 2016).

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

(s) Joe Abbandonato _____

Joe Abbandonato
President and Chief Executive Officer

(s) Giancarlo Santella _____

Giancarlo Santella, CPA, CA
Corporate Controller

November 27, 2017