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CONSOLIDATED MERCANTILE
INCORPORATED

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INTERIM REPORT

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CONSOLIDATED BALANCE SHEET

	(Unaudited) March 31 2002	December 31 2001
ASSETS		
CURRENT		
Cash and short-term investments	$ 1,405,351	$ 2,249,759
Accounts and notes receivable	25,777,672	36,292,134
Income taxes receivable	1,276,688	468,443
Inventories	25,540,105	27,733,107
Prepaid expenses	1,501,995	1,387,140
Future income taxes	574,400	566,157
	56,076,211	68,696,740
INVESTMENTS	542,021	590,303
FIXED	55,644,821	55,522,291
FUTURE INCOME TAXES	955,600	924,867
INTANGIBLE AND OTHER ASSETS	2,978,834	3,091,436
	$ 116,197,487	$ 128,825,637
LIABILITIES		
CURRENT		
Bank indebtedness	$ 10,578,682	$ 19,770,858
Accounts payable and accruals	26,216,837	29,456,651
Current portion of long-term debt	19,166,706	18,470,100
	55,962,225	67,697,609
LONG-TERM DEBT	15,065,953	16,740,387
NON-CONTROLLING INTEREST	21,723,527	21,349,086
FUTURE INCOME TAXES	4,671,200	4,606,379
	97,422,905	110,393,461
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	2,362,086	2,362,086
CONTRIBUTED SURPLUS	59,411	59,411
TRANSLATION ADJUSTMENT	781,601	656,537
RETAINED EARNINGS	15,571,484	15,354,142
	18,774,582	18,432,176
	$ 116,197,487	$ 128,825,637

CONSOLIDATED MERCANTILE INCORPORATED

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

THREE MONTHS ENDED MARCH 31, 2002

	(Unaudited)	
	2002	2001
SALES	$ 52,598,420	$ 49,463,583
COST OF SALES	40,074,056	38,657,736
	12,524,364	10,805,847
OTHER INCOME		
Interest income	9,107	12,565
EXPENSES		
Selling and administrative	8,846,696	8,751,332
EARNINGS FROM OPERATIONS	3,686,775	2,067,080
Amortization	2,205,890	2,233,344
Interest on long-term debt	537,876	682,573
	2,743,766	2,915,917
EARNINGS (LOSS) BEFORE INCOME TAXES AND THE UNDERNOTED ITEMS	943,009	(848,837)
Income taxes (recovered)	364,988	(319,818)
EARNINGS (LOSS) BEFORE THE UNDERNOTED ITEMS	578,021	(529,019)
Non-controlling interest	(312,397)	288,944
Equity in earnings of investee	13,900	8,287
Loss on disposal of investment	(62,182)	-
	(360,679)	297,231
NET EARNINGS (LOSS) FOR THE PERIOD	217,342	(231,788)
RETAINED EARNINGS, beginning of period	15,354,142	14,249,293
Excess of cost of shares purchased for cancellation over stated value	-	(111,512)
RETAINED EARNINGS, END OF PERIOD	$ 15,571,484	$ 13,905,993
EARNINGS (LOSS) PER SHARE		
Basic	$ 0.07	$ (0.09)
Diluted	$ 0.06	$ (0.09)
Weighted average number of common shares		
Basic	2,779,320	2,810,242
Diluted	2,981,384	2,840,137

Notes to Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in Canada on a basis consistent with those followed in the most recent audited financial statements. These unaudited financial statements do not include all the information and footnotes required by the generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the year ended December 31, 2001.

CONSOLIDATED STATEMENT OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2002

	(Unaudited)	
	2002	2001
OPERATING ACTIVITIES		
Net (earnings) loss for the period	$ 217,342	$ (231,788)
Amortization	2,205,890	2,233,344
Future income taxes	(19,000)	-
Non-controlling interest	312,397	(288,944)
Equity in earnings of investee	(13,900)	(8,287)
Loss on disposal of investment	62,182	-
	2,764,911	1,704,325
Change in non-cash components of working capital	8,544,550	3,441,035
	11,309,461	5,145,360
FINANCING ACTIVITIES		
Decrease in bank indebtedness	(9,137,934)	(1,240,023)
Purchase of common shares for cancellation	-	(132,550)
Purchase of shares by consolidated subsidiary for cancellation	(101,000)	(603,474)
Proceeds from long-term debt	-	165,000
Repayment of long-term debt	(4,512,169)	(994,737)
	(10,751,103)	(2,805,784)
INVESTING ACTIVITIES		
Purchase and deposits on fixed assets	(1,689,940)	(2,995,026)
Other	-	(48,952)
	(1,689,940)	(3,043,978)
Effect of foreign currency translation on cash balances	287,174	459,628
CHANGE IN CASH POSITION	(844,408)	(244,774)
Cash and short-term investments at beginning of period	2,249,759	1,799,650
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	$ 1,405,351	$ 1,554,876
Supplemental cash flow information:		
Income taxes paid	$ 1,191,921	$ 1,663,763
Interest paid, net	$ 618,988	$ 945,965

Segmented information for the three months ended March 31

(in thousands of dollars)

		2002	2001
Net sales	Packaging Products	$ 31,806	$ 29,938
	Pool Products	6,195	5,905
	Furniture	14,597	13,621
		$ 52,598	$ 49,464
Operating profit (loss)	Packaging Products	$ 5,954	$ 4,083
	Pool Products	(584)	(484)
	Furniture	977	713
		$ 6,347	$ 4,312
Total assets	Packaging Products	$ 71,144	$ 66,182
	Pool Products	23,749	27,662
	Furniture	13,537	14,224
	Corporate	7,767	9,822
		$ 116,197	$ 117,890
Capital expenditures	Packaging Products	$ 1,057	$ 2,492
	Pool Products	312	169
	Furniture	260	102
	Corporate	61	232
		$ 1,690	$ 2,995

TO THE SHAREHOLDERS

Your Directors are pleased to report on the activities and financial results of the Company for the three months ended March 31, 2002.

First quarter results, traditionally the weakest period of the year, reflect a significant increase in earnings. Revenues increased by 6% to approximately $52.6 million from $49.5 million in the comparable 2001 period. Earnings from Operations increased to $3.7 million compared to $2.1 million in the first quarter of 2001. Earnings per share for the quarter increased to $0.07 compared with a loss per share of ($0.09) in the comparable 2001 period. Earnings for the first quarter confirm our previously reported positive trends and preliminary indications are that the Company will continue to experience a dramatic increase in earnings for the balance of the year as a result of the many initiatives put into place.

Your Directors are pleased with the results achieved and look forward to continued growth.

On Behalf of the Board

Fred A. Litwin
President

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales. Sales were $52.6 million for the first quarter of fiscal 2002, an increase of $3.1 million or 6% as compared to $49.5 million for the first quarter of fiscal 2001. The Company continues to achieve improvement in revenue at both its packaging and specialty cover and furniture units.

Gross Margins. Gross margin as a percentage of sales increased to 23.8% for the first quarter of 2002 compared with 21.8% for the comparable 2001 period. The gross margin increase resulted from lower material costs and improved manufacturing efficiencies.

Selling and Administrative Expenses. Selling and administrative expenses as a percentage of sales for the first quarter of 2002 were 16.8% compared to 17.7% for 2001.

Other Expenses. During the first quarter of 2002, the Company incurred other expenses of $2.7 million compared with $2.9 million for the comparable 2001 period. The decrease was primarily attributable to a reduction in interest expenses due to lower average borrowings and lower interest rates.

Income Tax Provision. The effective tax rate decreased to 38.7% for the first quarter of 2002 compared to 37.7% for 2001. The difference between the Company's statutory tax rate and its effective tax rate is primarily attributable to differing tax rates in foreign countries, valuation allowance and certain non-deductible expenses.

Net Earnings. The Company reported a net earnings of $217,342 in the first quarter of 2002 compared with a net loss of $231,788 in the first quarter of 2001.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity are cash on hand, unused borrowing capacity under existing lines of credit and the cash flow from operations.

The Company's working capital amounted to $113,986 at March 31, 2002 compared to $999,131 at December 31, 2001. The ratio of current assets to current liabilities was 1:1 at March 31, 2002 and 1.01:1 at December 31, 2001. The Company's cash on hand was $1.4 million at March 31, 2002 as compared to $2.2 million at December 31, 2001. The substantial decrease in working capital at both December 31, 2001 and March 31, 2002 was due to the fact that the Company's packaging and speciality cover subsidiary's banking facility expires in June 2002 and approximately $15 million of the term loans drawn under the line of credit have been reclassified under current liabilities. This unit has negotiated a new banking agreement to replace the expiring facility whereupon these term loans will once against be reclassified as long-term liabilities.

During the first quarter of 2002, the Company invested $1.7 million in new capital assets. Cash provided by operations before changes in working capital increased to $2.8 million from $1.7 million in 2001. The decrease in bank indebtedness was largely as a result of the decrease in non-cash components of working capital.