International Parkside Products Inc.

Condensed Interim Consolidated Financial Statements

October 31, 2017

Unaudited – prepared my Management

(expressed in Canadian dollars)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of International Parkside Products Inc. for the three months ended October 31, 2017 are the responsibility of and have been prepared by management in accordance with International Financial Reporting Standards consistently applied. These condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

International Parkside Products Inc.

Condensed Interim Consolidated Statements of Financial Position

Unaudited – prepared by Management

(expressed in Canadian dollars)

As At	October 31, 2017	July 31, 2017
Assets		
Current assets		
Cash	**$ 263,686**	$ 290,152
Accounts receivable (note 5)	**2,660,143**	1,249,877
Inventory	**106,634**	97,810
Prepaid expenses	**17,254**	29,515
Short-term investments (note 4)	**55,067**	44,504
	$ 3,102,784	$ 1,711,858
Equipment (note 8)	**514,480**	512,526
Licensing rights (note 6)	**98,245**	96,907
Total assets	**$ 3,715,509**	$ 2,321,291
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**$ 2,289,243**	$ 1,023,317
Customer deposits	**41,806**	7,907
Income taxes payable (note 15)	**9,000**	9,000
	$ 2,340,049	$ 1,040,224
Deferred income taxes payable (note 15)	**98,000**	98,000
Total Liabilities	**$ 2,438,049**	$ 1,138,224
Shareholders' Equity		
Capital stock (note 9)	**$ 5,316,847**	$ 5,316,847
Contributed surplus (note 9)	**513,165**	513,165
Accumulated other comprehensive gain	**1,727**	-
Currency translation reserve	**(115,021)**	(145,371)
Deficit	**(4,439,258)**	(4,501,574)
	$ 1,277,460	$ 1,183,067
Total liabilities and shareholders' equity	**$ 3,715,509**	$ 2,321,291

Nature of Operations (note 1)
Commitments (note 11)

Approved by the Board of Directors

"signed" Ryan Keating Director   *"signed"* Murray Keating Director

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

International Parkside Products Inc.

Condensed Interim Consolidated Statements of Earnings and Comprehensive Earnings (Loss)
Unaudited – prepared by Management

Three months ended October 31, 2017 and 2016

(expressed in Canadian dollars)

	2017	2016
Sales revenue	$ 2,347,245	$ 1,354,160
Selling expenses		
Sales discounts and rebates	(4,250)	(943)
Net revenue	2,342,995	1,353,217
Cost of goods sold	(1,821,072)	(964,771)
Gross Profit	$ 521,923	$ 388,446
Expenses		
Accounting and audit	10,000	10,000
Amortization equipment (note 8)	14,046	14,711
Amortization of licensing rights (note 6)	1,750	1,836
Commissions	3,324	7,666
Consulting	33,800	58,121
Financing costs	-	665
Foreign exchange (gain) loss	(12,342)	11,532
Gain on deconsolidation of CarbonKlean (note 14)	-	(81,747)
Interest and bank charges - net	3,623	3,628
Legal	4,868	1,830
Management fees	34,900	32,700
Marketing	21,717	24,157
Office and administration	33,114	31,198
Rent	29,753	29,582
Salaries	202,303	176,415
Trade shows	41,144	49,309
Transfer agent and regulatory fees	2,952	778
Travel and promotion	34,655	38,060
	459,607	(410,441)
Net earnings (loss) for the period	$ 62,316	$ (21,995)
Other comprehensive earnings (loss):		
Foreign currency (loss) gain	30,350	47,287
Unrealized gain (loss) on short-term investments	1,727	(137)
Comprehensive earnings (loss)	$ 94,393	$ 25,155
Basic and diluted earnings (loss) per share	0.01	(0.00)
Weighted average number of common shares outstanding – basic and diluted	15,617,670	15,617,670

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

International Parkside Products Inc.

Condensed Interim Consolidated Statements of Cash Flows
Unaudited – prepared by Management
Three months ended October 31, 2017 and 2016
(expressed in Canadian dollars)

	2017	2016
Cash flows from operating activities		
Net earnings (loss) for the period	**$ 62,316**	$ (21,995)
Items not affecting cash		
Amortization of equipment	**14,046**	14,711
Amortization of licensing rights	**1,750**	1,836
Gain on deconsolidation of CarbonKlean (note 14)	**-**	(81,747)
	78,112	(87,195)
Changes in non-cash working capital items		
(Increase) Decrease in accounts receivable	**(1,410,266)**	(278,056)
(Increase) Decrease in inventory	**(8,824)**	(25,048)
(Increase) Decrease in prepaid expenses	**12,261**	6,768
Increase (Decrease) in payables and accrued liabilities	**1,265,926**	243,260
Increase (Decrease) in customer deposits	**33,899**	34,652
	(107,004)	(18,424)
Net cash used in operating activities	**(28,892)**	(105,619)
Cash flows from investing activities		
Short-term investments	**(8,835)**	(8,835)
Proceeds on sale of short-term investments	**-**	20,000
Net cash provided by (used in) investing activities	**(8,835)**	11,165
Effect of foreign exchange rate on cash	**11,261**	14,785
Decrease in cash	**(26,466)**	(79,669)
Cash - Beginning of period	**$ 290,152**	$ 425,437
Cash - End of period	**$ 263,686**	$ 345,768

There were no significant non-cash investing and financing transactions for the periods ended October 31, 2017 and 2016.

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

International Parkside Products Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Unaudited – prepared by Management

Three months ended October 31

(expressed in Canadian dollars)

Balance at	Capital Stock (Number of Shares)	Capital Stock (Amount) $	Preferred Shares $	Contributed Surplus $	Currency translation reserve $	Accumulated other comprehensive gain (loss)	Deficit $	Non-controlling interest	Total $
July 31, 2016	**15,617,670**	**5,275,847**	**41,000**	**574,690**	**(137,116)**	**11,651**	**(4,502,012)**	**(56,934)**	**1,207,126**
Change in translation	-	-	-	-	47,287	-	-	-	47,287
Unrealized loss on short-term investments	-	-	-	-	-	(137)	-	-	(137)
Reclassification on expiry of options	-	-	-	(100,535)	-	-	100,535	-	-
Deconsolidation of CarbonKlean on loss of control (note 14)	-	-	-	-	-	-	-	56,934	56,934
Net loss for the period	-	-	-	-	-	-	(21,995)	-	(21,995)
October 31, 2016	**15,617,670**	**5,275,847**	**41,000**	**474,155**	**(89,829)**	**11,514**	**(4,423,472)**	**-**	**1,289,215**
Change in translation	-	-	-	-	(55,542)	-	-	-	(55,542)
Payment of dividend	-	-	-	-	-	-	(156,177)	-	(156,177)
Unrealized gain on short-term investments	-	-	-	-	-	144	-	-	144
Stock based compensation	-	-	-	65,147	-	-	-	-	65,147
Reclassification on expiry of options	-	-	-	(26,137)	-	-	26,137	-	-
Realized gain on disposal of short-term investments	-	-	-	-	-	(11,658)	-	-	(11,658)
Net earnings for the period	-	-	-	-	-	-	51,938	-	51,938
July 31, 2017	**15,617,670**	**5,275,847**	**41,000**	**513,165**	**(145,371)**	**-**	**(4,501,574)**	**-**	**1,183,067**
Change in translation	-	-	-	-	30,350	-	-	-	30,350
Unrealized gain on short-term investments	-	-	-	-	-	1,727	-	-	1,727
Net earnings for the period	-	-	-	-	-	-	62,316	-	62,316
October 31, 2017	**15,617,670**	**5,275,847**	**41,000**	**513,165**	**(115,021)**	**1,727**	**(4,439,258)**	**-**	**1,277,460**

1 Nature of operations

The Company was incorporated in British Columbia on May 18, 1983. The Company, through its wholly owned subsidiaries Parkside Optical Inc. ("Parkside Optical") and EIC - Energy Interface Corporation ("EIC"), is in the business of producing and marketing innovative optical and screen cleaning products using the Company's patented carbon black and LCF technology for international distribution.

Parkside Optical manufactures and distributes to wholesale distributors the following optical lens cleaning devices: LensPen, PEEPS, DigiKlear, Mini-Pro, Mini-Pro II, MicroPro, Smartphone camera cleaner, Laptop Pro, ScreenKlean, FilterKlear, DSLR Pro Kit, SensorKlear, SensorKlear Loupe Kit, SmartKlear, HunterPro Kits, Outdoor Pro Kits, FogKlear, Photo Pro Kits, Hurricane blower and Microfiber cloth.

The Company's head office, principal address and registered and records office is #650 – 375 Water Street, Vancouver, British Columbia, Canada, V6B 5C6.

2 Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

The unaudited condensed interim consolidated financial statements, presented in Canadian dollars, include the accounts of the Company and its wholly owned subsidiaries, Parkside Optical, and EIC. All inter-company transactions have been eliminated on consolidation. The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

CarbonKlean LLC

During the year ended July 31, 2017, the Company deconsolidated the net assets of CarbonKlean LLC ("CarbonKlean") (note 14).

Going concern

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. During the year ended July 31, 2017 the Company had experienced declining sales of existing products in certain markets and these trends may continue into fiscal 2018. The ability of the Company to continue as a going concern is dependent upon maintaining and expanding the market for new and existing products at a profit. While the Company has been successful in maintaining customer relationships and generating cash flow from operations in the past, there is no assurance that this will continue into the future. These material uncertainties may cast significant doubt upon the ability of the Company to continue as a going concern.

3 Significant accounting policies

Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and all of its subsidiaries, which are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with a subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control. The Company's wholly-owned subsidiaries, Parkside Optical and EIC carry out their operations in the U.S.A. and Canada.

All intercompany transactions and balances between the companies are eliminated on consolidation, including unrealized gains and losses on transactions. Amounts reported in the financial statements of subsidiaries are adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, or significant change in judgment associated with control, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interest based on the respective ownership interests.

A change in the ownership interest of a subsidiary resulting in a loss of control results in the derecognition of the subsidiary's assets and liabilities as well as any associated non-controlling interest. Any surplus or deficit on the loss of control is recognized in profit or loss. Following the Company's change in judgment regarding control of CarbonKlean as disclosed in note 14, all of the assets and liabilities and non-controlling interest in CarbonKlean ceased to be consolidated from that date.

Significant accounting estimates and judgments

The preparation of these unaudited condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgment uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

Property and equipment comprise a large component of the Company's assets and as such, the amortization of these assets has a significant effect on the Company's financial statements. Management estimates the useful lives, amortization rates and the residual values of assets based on their experience with the use of such assets. These estimates are reviewed on at least an annual basis.In determining whether any impairment losses have been incurred, management assesses the higher of the asset's fair value less costs to sell and its value in use for non-financial assets. These determinations and their individual

3 Significant accounting policies (cont'd…)

assumptions require that management make a decision based on the best available information at the end of each reporting period.

Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and the US dollar is the functional currency of its subsidiary, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates.

The determination of deferred tax assets and liabilities is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the provision for income taxes.

Stock based compensation are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

The Company applies judgment as to whether or not it exercises control over its subsidiaries. During the year ended July 31, 2016, the Company determined that it was exposed and had rights to variable returns from its involvement with CarbonKlean and had power to affect those returns through its power over the joint venture. In reviewing the rights granted to the Company set out in the joint venture agreement, it was concluded that the Company held the substantive rights to exercise power over the activities of CarbonKlean. During the year ended July 31, 2017, certain differences in interpretation of the joint venture agreement led the Company to assess that it no longer exercised power over the joint venture and accordingly derecognized the net assets and liabilities and non-controlling interest in CarbonKlean (note 16).

Use of estimates and judgments

The application of the Company's accounting policy for intangible assets expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

3 Significant accounting policies (cont'd…)

Inventory

Inventory consists mainly of products held for resale and is recorded at the lower of weighted average cost or net realizable value.

Short term investments

Securities available for sale are traded on a recognized securities exchange, are recorded at fair values based on quoted closing bid prices at the statement of financial position dates or closing bid prices on the last day the security traded if there were no trades at the statement of financial position dates with both realized and unrealized gains and losses recorded in accumulated other comprehensive income.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The Company provides for amortization of manufacturing equipment using a straight line basis over its estimated useful life (20 years). Computer hardware is amortized over a five year period.

Intangible assets

The Company owns intangible assets consisting of rights to patent licences. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

The Company does not hold any intangible assets with indefinite lives.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable

3 Significant accounting policies (cont'd...)

amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for the parent company, International Parkside is the Canadian dollar whereas the functional currency for the subsidiary, Parkside Optical Ltd. is the US dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary and non-monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the cumulative translation reserve.

Revenue recognition

Revenue, net of sales discounts is recorded once there is persuasive evidence that an arrangement exists; product has been transferred to the purchaser; the selling price is fixed and determinable; and collectability is reasonably assured. This occurs upon shipment. Advances from clients are classified as customer deposits until the revenue is recognized.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount

3 Significant accounting policies (cont'd...)

of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize that excess.

Earnings per share

Basic per share amounts are calculated using the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated based on the treasury-stock method, which assumes that any proceeds from the exercise of options and warrants would be used to purchase common shares at the average market price during the year. The weighted average number of common shares outstanding is adjusted for the net increase in the number of common shares issued upon exercise of the options and warrants. Stock options and warrants are included in the calculation of diluted per share amounts only to the extent that the average market price of the common shares during the year exceeds the exercise price of the options or warrants. During years when the Company has generated a loss, the potential shares to be issued from the assumed exercise of options and warrants are not included in the computation of diluted per share amounts since the result would be anti-dilutive.

Stock based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the stock based compensation. Otherwise, stock based compensation is measured at the fair value of goods or services received.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to capital stock. When vested options are forfeited or not exercised at the expiry date the amount previously recognized in stock based compensation is revised from reserves to deficit. Amounts recorded for forfeited or expired unexercised warrants are transferred to capital stock.

3 Significant accounting policies (cont'd...)

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash is classified as FVTPL. Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company's short-term investments are classified as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

3 Significant accounting policies (cont'd...)

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Comprehensive loss

Comprehensive loss is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive loss is defined as revenues, expenses, gains and losses that, in accordance with primary sources of IFRS, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

Future Accounting Standards and Amendments

The following new standards and amendments have been issued but are not effective during the year ended July 31, 2017. Management is currently assessing the impact that these accounting standards and amendments will have on its financial statements.

IFRS 9 IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Effective for annual periods beginning on or after January 1, 2018.

IFRS 15 IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. Effective for annual periods beginning on or after January 1, 2018.

IFRS 16 IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. Effective for annual periods beginning on or after January 1, 2019.

(expressed in Canadian dollars)

4 Short term investments

The Company holds securities that have been designated as available for sale as follows:	Common shares of public companies Market Value	Cost
October 31, 2017	**$ 55,067**	**$ 46,231**
July 31, 2017	$ 44,504	$ 44,504

5 Accounts receivable

	October 31, 2017	July 31, 2017
HST/GST receivable	**$ 6,321**	$ 6,183
Trade receivables	**2,436,482**	1,020,975
*Advances receivable	**217,340**	222,719
Total	**$ 2,660,143**	$ 1,249,877

* Terms for unsecured advances receivable are 6% interest compounded annually.

6 Licensing rights

	New Carbon formulation
Cost	
Balance, July 31, 2016	$ 128,438
Currency translation	(5,611)
Balance, July 31, 2017	$ 122,827
Currency translation	6,103
Balance, October 31, 2017	**128,930**
Accumulated amortization	
Balance, July 31, 2016	$ 19,813
Amortization for the year	7,414
Currency translation	(1,307)
Balance, July 31, 2017	$ 25,920
Amortization for the period	1,750
Currency translation	3,015
Balance, October 31, 2017	**30,685**
Carrying amounts	
As at October 31, 2017	**$ 98,245**
As at July 31, 2017	$ 96,907

(expressed in Canadian dollars)

6 Licensing rights (cont'd…)

During the year ended July 31, 2014, the Company entered into a Licensing agreement pursuant to a new formula for the Company's cleaning products. The terms of the licensing agreement will be that Richard Darrow (the "Licensor") will be paid the sum of US $100,000 (paid) for development reimbursements (non-refundable) along with an earned royalty equal to US $0.0625 per unit for each of the units/products sold, with a minimum guarantee of $100,000 per year. The Licensing agreement is for a term of 18 years expiring in fiscal 2031.

7 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are as follows:

		October 31, 2017		July 31, 2017
Trade payables	**$**	**2,202,498**	$	952,097
Accrued liabilities		**86,745**		71,220
Total	**$**	**2,289,243**	$	1,023,317

8 Equipment

Cost		
Balance July 31, 2016	$	1,099,315
Currency translation		(23,515)
Balance July 31, 2017	$	1,075,800
Currency translation		21,516
Balance October 31, 2017	**$**	**1,097,316**
Accumulated amortization		
Balance July 31, 2016	$	505,153
Amortization for the year		59,400
Currency translation		(1,279)
Balance July 31, 2017	$	563,274
Amortization for the period		13,647
Currency translation		5,915
Balance October 31, 2017	**$**	**582,836**
Carrying amounts		
As at October 31, 2017	**$**	**514,480**
As at July 31, 2017	$	512,526

(expressed in Canadian dollars)

9 Capital stock and contributed surplus

At October 31, 2017 the Company had unlimited authorized common shares.

Stock options

The Company has an incentive stock option plan, pursuant to which its Board of Directors grants stock options, from time to time, to directors, officers, employees and certain consultants. The exercise price of each option is based on the market price of the Company's common shares at the date of grant. The options can be granted for a maximum term of 10 years. The Company's Board of Directors determines the vesting requirements for options granted.

Stock option transactions are summarized as follows:

	Options Outstanding	Weighted Average Exercise Price
Balance – July 31, 2015	1,535,000	$0.13
Expired	(75,000)	$0.13
Balance – July 31, 2016	1,460,000	$0.13
Expired	(1,460,000)	$0.13
Granted	1,440,000	$0.10
Outstanding and exercisable		
Balance – July 31, 2017	1,440,000	$0.10
Balance – October 31, 2017	**1,440,000**	**$0.10**

The following options and warrants to acquire common shares of the Company were outstanding at October 31, 2017:

	Number of Shares/Units	Exercise Price	Expiry Date
Options	1,440,000	$0.10	November 9, 2019

During the year ended July 31, 2017, the Company granted 1,440,000 incentive stock options to employees, officers and directors (2016 – nil). The fair value of stock options granted during the period used to calculate compensation expense for employees is estimated using the Black-Scholes option pricing model. Total stock-based compensation recognized in the statement of earnings during the year ended July 31, 2017 was $65,147 (2016 - nil). The following weighted average assumptions were used for the valuation of the stock options:

	Year ended July 2017
Average risk-free interest rate	0.75%
Expected dividend yield	Nil
Expected stock price volatility	89.77%
Average expected option life in years	3 years
Weighted average fair value per share	$ 0.05

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(expressed in Canadian dollars)

10 Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below.

Related party transactions

Certain companies which have an officer and/or director in common or which have a partner who is an officer of the Company render services or are charged for certain services as follows:

	Nature of transactions
Ryancorp Management Ltd.	Management fees

The Company incurred the following transactions in the normal course of operations in connection with companies which have key members of management in common.

	Period ended October 31, 2017	Period ended October 31, 2016
Management fees	**$ 34,900**	$ 32,700

(i) Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended October 31, 2017 and 2016.

(ii) Included in accounts payable is $9,303 (October 31, 2016 - $15,951) due to officers and directors of the Company.

11 Commitments

In 2003, the Company entered into an agreement with Cornerstone Technologies (VCC) Ltd. (Cornerstone) for funding in preferred shares of Parkside Optical. Cornerstone agreed to purchase the preferred shares at a minimum price of $0.45 per share. The preferred shares are exchangeable, at the holder's option, into common shares of the Company on a one-for-one basis. The preferred shares carry a non-cumulative 6.5% annual dividend, payable quarterly, based on the weighted average of funds invested during the quarter. Once the preferred shares have been exchanged for the common shares, all rights to receive the preferred share dividend will cease. The preferred shares and any common shares that may be issued in exchange for the preferred shares are subject to a hold period of five years, commencing from the date of investment of the preferred shares.

In 2004, the Company received $41,000 for subscriptions for preference shares from Cornerstone.

During fiscal 2007, the Company received regulatory approval to the agreement and the preferred shares were issued. As of July 31, 2017, the Company has accrued $13,300 dividends payable (2016 - $10,640). This has been shown as a liability on the financial statements under accounts payable.

12 Financial and risk management

Cash and short-term investments are carried at fair value using a level 1 for value measurement. The fair value of the Company's accounts receivable, income taxes payable, accounts payable and accrued liabilities approximate carrying value, because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Market risk

Currency risk

The Company is exposed to foreign exchange risk on the cash, accounts receivable and accounts payable and accrued liabilities balances denominated in US dollars. A significant proportion of the Company's transactions occur in US dollars which give rise to the risk that cash flow may be adversely impacted by exchange rate fluctuations between US and Canadian dollars. Management maintains cash accounts denominated in US dollars to complete foreign currency transactions and considers this practice adequate to mitigate significant foreign currency fluctuations. The Company considers currency risk associated with working capital items in US dollars to be insignificant.

Interest rate risk

The Company maintains cash balances with financial institutions. The interest rate risk on these balances is not considered material.

Credit risk

The Company is exposed to a minimal amount of credit risk from its cash balances. The Company limits its exposure to credit risk by placing its cash with high credit quality financial institutions.

Concentration of credit risk with respect to accounts receivable has been limited in the past by the structure of the Company's sale contracts as typically payments are collected before shipment of the goods. However, as at October 31, 2017, the Company is exposed to credit risk on the receivables of $2,325,286 from CarbonKlean. This balance is unsecured and management negotiates periodic payments on these balances. This represents a significant increase in the credit risk. The Company has not experienced significant credit losses to date and the maximum amount of credit risk exposure is limited to the carrying amounts of these balances in the consolidated financial statements.

As at October 31, 2017, the Company had one customer that accounted for more than 10% of total accounts receivable as follows: 91% (2016 – two customers as follows: 45% and 22%)

12 Financial and risk management (cont'd…)

Liquidity risk

The Company is not exposed to a significant amount of liquidity risk. As at the period ended October 31, 2017, the Company had positive working capital of $762,735 (October 31, 2016 - $728,456). The accounts payable and accrued liabilities balance is expected to be covered through the collection of accounts receivable balances and from current cash balances. The Company is not reliant on external financing.

13 Capital management

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and to have sufficient capital to be able to fund the operation of the Company for the benefit of its shareholders. Management considers capital to be assets less liabilities. As at the period ended October 31, 2017, the Company had capital of $1,277,460 (October 31, 2016 - $1,324,232). The Company is internally funded and is not subject to any externally imposed capital requirements. The Company has not established a numeric target for its capital structure and reviews its capital management methods and requirements on an ongoing basis and makes adjustments accordingly.

14 Deconsolidation of CarbonKlean

During the year ended July 31, 2016, the Company entered into an agreement for the creation of a new joint venture company called CarbonKlean. Pursuant to the terms of the agreement, the Company was to contribute various patents and trademarks into the joint venture while the joint venture partner was to assist in growing the Company's sales of certain products. As at July 31, 2016, the Company owned a 60% interest in the joint venture and is the sole manufacturer of the products. The joint venture partner, and owner of the 40% interest had the ability to reach a 50% interest by achieving sales of 1 million units over the initial 2 years of operations.

During the year ended July 31, 2017, the Company's assessment that it held control was reassessed due to differences in interpreting the joint venture agreement. Accordingly, the Company was deemed to lose control over CarbonKlean. The Company maintains no significant influence over the joint venture. As a result of the loss in control, the Company retained no ownership interest in the joint venture.

As a result of the loss of control, the Company has:

(i) Derecognized the assets and liabilities of and non-controlling interest in CarbonKlean at their carrying amounts on August 1, 2016.

(ii) Recognized the carrying value of the Company's receivables and advances to CarbonKlean, which were previously eliminated upon consolidation.

(iii) Recognized $Nil fair value associated with the investment, as no interest was retained; and

(iv) Recognized the difference as a gain on loss of control of a subsidiary.

(expressed in Canadian dollars)

14 Deconsolidation of CarbonKlean (cont'd…)

The following table summarizes the carrying values of the assets and liabilities of CarbonKlean at August 1, 2017 and the gain resulting from the loss of control:

		August 1, 2016
Assets derecognized:		
Cash	$	13,748
Inventory		26,876
Prepaids		15,437
Liabilities derecognized:		
Accounts payable and accrued liabilities		(6,983)
Net assets derecognized	$	49,078
Non-controlling interest derecognized		56,934
Net assets and non-controlling interest derecognized	$	106,012
Recognized carrying value of receivables from CarbonKlean	$	187,759
Gain on loss of control of subsidiary	$	81,747

As at August 1, 2016 and July 31, 2017, the Company assessed that it does not have ownership in CarbonKlean. The comparatives within this statement have been restated to reflect the deconsolidation.

15 Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2017		**2016**
Profit before taxes	$	27,943	$	6,242
Combined federal and provincial statutory tax rate		26.0%		26.0%
Expected income tax recovery at statutory tax rates	$	7,000	$	2,000
Impact of future income tax rate applied versus current statutory rate		(8,000)		3,000
Change in unrecognized deductible temporary difference		(37,000)		(97,000)
Adjustment of prior years' provision		45,000		53,000
Use of non-capital losses		-		93,000
Non-deductible expenditures and other		(9,000)		65,000
Total deferred tax expense (recovery)	$	(2,000)	$	119,000

		2017		2016
Current income tax	$	9,000	$	10,000
Deferred income tax expense (recovery)		(11,000)		109,000

(expressed in Canadian dollars)

15 Income Taxes (cont'd…)

The significant components of the Company's deferred tax assets (liabilities) are as follows:

	2017	2016
Exploration and evaluation assets	$ 19,000	$ 21,000
Property and equipment	(119,000)	(133,000)
Marketable securities	-	(2,000)
Canadian eligible capital	-	3,000
Allowable capital loss	1,000	1,000
Non-capital losses	1,000	1,000
	$ (98,000)	$ (109,000)

Tax attributes are subject to review and potential adjustments by tax authorities.

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry dates	2016
Other assets	$ -	No expiry date	$ -
Non-capital losses available for future periods	-	2030 to 2037	142,000
Allowable capital losses	-	No expiry date	-
Capital assets	-	No expiry date	-
	$ -		$ 142,000