

**International Parkside Products Inc.**

Condensed Interim Consolidated Financial Statements

**October 31, 2018**

Unaudited – prepared by 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, 2018 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, 2018	July 31, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 344,337	\$ 278,270
Accounts receivable (note 5)	2,052,981	1,564,496
Inventory	102,779	100,459
Prepaid expenses	31,830	85,098
Short-term investments (note 4)	55,584	64,929
	<hr/>	<hr/>
	\$ 2,587,511	\$ 2,093,252
<b>Equipment</b> (note 8)	465,333	475,552
<b>Licensing rights</b> (note 6)	92,783	93,722
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 3,145,627</b>	<b>\$ 2,662,526</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	\$ 1,407,826	\$ 1,226,128
Loan payable (note 15)	326,667	-
Customer deposits	29,443	12,926
Income taxes payable (note 14)	81,000	81,000
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	\$ 1,844,936	\$ 1,320,054
<b>Deferred income taxes payable</b> (note 14)	96,000	96,000
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 1,940,936</b>	<b>\$ 1,416,054</b>
<b>Shareholders' Equity</b>		
Capital stock (note 9)	\$ 5,436,805	\$ 5,356,805
Contributed surplus (note 9)	500,707	500,707
Accumulated other comprehensive income	2,754	2,754
Currency translation reserve	(164,014)	(135,601)
Deficit	(4,571,561)	(4,478,193)
	<hr/>	<hr/>
	\$ 1,204,691	\$ 1,246,472
	<hr/>	<hr/>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,145,627</b>	<b>\$ 2,662,526</b>
<b>Nature of Operations</b> (note 1)		
<b>Commitments</b> (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, 2018 and 2017

(expressed in Canadian dollars)

	2018	2017
<b>Sales revenue</b>	\$ 1,355,016	\$ 2,347,245
<b>Selling expenses</b>		
Sales discounts and rebates	(8,971)	(4,250)
<b>Net revenue</b>	<u>1,346,045</u>	<u>2,342,995</u>
<b>Cost of goods sold</b>	<u>(962,714)</u>	<u>(1,821,072)</u>
<b>Gross Profit</b>	<u>\$ 383,331</u>	<u>\$ 521,923</u>
<b>Expenses</b>		
Accounting and audit	10,000	10,000
Amortization equipment (note 8)	14,620	14,046
Amortization of licensing rights (note 6)	1,824	1,750
Commissions	5,483	3,324
Consulting	40,017	33,800
Foreign exchange (gain) loss	(42,783)	(12,342)
Interest and bank charges - net	9,140	3,623
Legal	26,314	4,868
Management fees	36,000	34,900
Marketing	21,778	21,717
Office and administration	22,697	33,114
Rent	31,369	29,753
Salaries	162,762	202,303
Trade shows	100,215	41,144
Transfer agent and regulatory fees	8,359	2,952
Travel and promotion	28,904	34,655
	<u>476,699</u>	<u>459,607</u>
<b>Net earnings (loss) for the period</b>	<u>\$ (93,368)</u>	<u>\$ 62,316</u>
<b>Other comprehensive earnings (loss):</b>		
Foreign currency (loss) gain	(28,413)	30,350
Unrealized gain on short-term investments (note 4)	2,754	1,727
<b>Comprehensive earnings</b>	<u>\$ (119,027)</u>	<u>\$ 94,393</u>
<b>Basic and diluted earnings per share</b>	<u>\$ 0.00</u>	<u>\$ 0.01</u>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<u>16,508,054</u>	<u>15,617,670</u>

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, 2018 and 2017

(expressed in Canadian dollars)

	2018	2017
<b>Cash flows from operating activities</b>		
Net earnings for the period	\$ (93,368)	\$ 62,316
Items not affecting cash		
Amortization of equipment	14,620	14,046
Amortization of licensing rights	1,824	1,750
Amortization of loan premium	6,667	-
	<u>(70,257)</u>	<u>78,112</u>
Changes in non-cash working capital items		
Increase in accounts receivable	(488,485)	(1,410,266)
Increase in inventory	(2,320)	(8,824)
Decrease in prepaid expenses	53,268	12,261
Increase in payables and accrued liabilities	181,698	1,265,926
Increase in customer deposits	16,517	33,899
	<u>(239,322)</u>	<u>(107,004)</u>
Net cash provided by (used in) operating activities	<u>(309,579)</u>	<u>(28,892)</u>
<b>Cash flows from investing activities</b>		
Short-term investments	<u>9,345</u>	<u>(8,835)</u>
Net cash provided by (used in) investing activities	<u>9,345</u>	<u>(8,835)</u>
<b>Cash flows from financing activities</b>		
Proceeds from loan payable	<u>400,000</u>	<u>-</u>
Net cash used in financing activities	<u>400,000</u>	<u>-</u>
<b>Effect of foreign exchange rate on cash</b>	<u>(33,699)</u>	<u>11,261</u>
<b>Increase (Decrease) in cash</b>	<u>66,067</u>	<u>(26,466)</u>
<b>Cash - Beginning of period</b>	<u>\$ 278,270</u>	<u>\$ 290,152</u>
<b>Cash - End of period</b>	<u>\$ 344,337</u>	<u>\$ 263,686</u>

There were no significant non-cash investing and financing transactions for the periods ended October 31, 2018 and 2017.

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 income \$	Deficit \$	Total \$
<b>July 31, 2017</b>	<b>15,617,670</b>	<b>5,275,847</b>	<b>41,000</b>	<b>513,165</b>	<b>(145,371)</b>	<b>-</b>	<b>(4,501,574)</b>	<b>1,183,067</b>
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
<b>October 31, 2017</b>	<b>15,617,670</b>	<b>5,275,847</b>	<b>41,000</b>	<b>513,165</b>	<b>(115,021)</b>	<b>1,727</b>	<b>(4,439,258)</b>	<b>1,277,460</b>
Change in translation	-	-	-	-	(20,580)	-	-	(20,580)
Unrealized gain on short-term investments	-	-	-	-	-	1,027	-	1,027
Share options exercised	<b>275,000</b>	<b>27,500</b>	-	-	-	-	-	27,500
Fair value of options exercised	-	<b>12,458</b>	-	(12,458)	-	-	-	-
Payment of dividend	-	-	-	-	-	-	(158,927)	(158,927)
Net earnings for the period	-	-	-	-	-	-	119,992	119,992
<b>July 31, 2018</b>	<b>15,892,670</b>	<b>5,315,805</b>	<b>41,000</b>	<b>500,707</b>	<b>(135,601)</b>	<b>2,754</b>	<b>(4,478,193)</b>	<b>1,246,472</b>
Change in translation	-	-	-	-	(28,413)	-	-	(28,413)
Bonus shares issued	615,384	80,000	-	-	-	-	-	80,000
Net earnings for the period	-	-	-	-	-	-	(93,368)	(93,368)
<b>October 31, 2018</b>	<b>16,508,054</b>	<b>5,395,805</b>	<b>41,000</b>	<b>500,707</b>	<b>(164,014)</b>	<b>2,754</b>	<b>(4,571,561)</b>	<b>1,204,691</b>

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

# **International Parkside Products Inc.**

Notes to Condensed Interim Consolidated Financial Statements

Unaudited – prepared by Management

**Three months ended October 31, 2018**

(expressed in Canadian dollars)

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## **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. These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

### **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, 2018 the Company has experienced an increasing concentration of sales on a single customer, and this trend may continue into fiscal 2019. 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.

# **International Parkside Products Inc.**

Notes to Condensed Interim Consolidated Financial Statements

Unaudited – prepared by Management

**Three months ended October 31, 2018**

(expressed in Canadian dollars)

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## **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.

### **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

# **International Parkside Products Inc.**

Notes to Condensed Interim Consolidated Financial Statements

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## **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.

# **International Parkside Products Inc.**

Notes to Condensed Interim Consolidated Financial Statements

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(expressed in Canadian dollars)

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## **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

# **International Parkside Products Inc.**

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**Three months ended October 31, 2018**

(expressed in Canadian dollars)

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

current market assessments of the time value of money and the risks specific to the asset. If the recoverable 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 of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of

# International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

Unaudited – prepared by Management

**Three months ended October 31, 2018**

(expressed in Canadian dollars)

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

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.

### 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”).

# International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

Unaudited – prepared by Management

**Three months ended October 31, 2018**

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

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:

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).

# International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

Unaudited – prepared by Management

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(expressed in Canadian dollars)

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

### Comprehensive income

Comprehensive income 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, 2018.

- 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. The adoption of this standard is not expected to have a significant impact on the financial statements.
- 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. The adoption of this standard is not expected to have a significant impact on the financial statements.
- 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. Management is currently assessing the impact of this standard on its financial statements.

## 4 Short term investments

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The Company holds securities that have been designated as available for sale as follows:

	Common shares of public companies	
	Market Value	Cost
<b>October 31, 2018</b>	<b>\$55,584</b>	<b>\$ 52,830</b>
July 31, 2017	\$ 44,504	\$ 44,504

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# International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(expressed in Canadian dollars)

## 4 Short term investments (cont'd...)

During the period ended October 31, 2018, the Company recognized an unrealized gain of \$2,754 (2017 - \$1,727) on these short term investments.

## 5 Accounts receivable

	October 31, 2018	July 31, 2017
HST/GST receivable	\$ 6,068	\$ 6,183
Trade receivables	1,582,057	1,020,975
*Advances receivable	464,856	222,719
Total	\$ 2,052,981	\$ 1,249,877

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

## 6 Licensing rights

	New Carbon formulation	
<b><u>Cost</u></b>		
Balance, July 31, 2017	\$	122,827
Currency translation		4,801
Balance, July 31, 2018	\$	127,628
Currency translation		1,453
<b>Balance, October 31, 2018</b>		<b>\$129,081</b>
<b><u>Accumulated amortization</u></b>		
Balance, July 31, 2017	\$	25,920
Amortization for the year		7,133
Currency translation		853
Balance, July 31, 2017	\$	33,906
Amortization for the period		1,824
Currency translation		568
<b>Balance, October 31, 2018</b>		<b>\$36,298</b>
<b><u>Carrying amounts</u></b>		
<b>As at October 31, 2018</b>	\$	<b>92,783</b>
As at July 31, 2018	\$	93,722

# International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

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## 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 US \$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, 2018	July 31, 2018
Trade payables	\$1,324,971	\$ 1,153,585
Accrued liabilities	<u>82,855</u>	<u>72,543</u>
Total	<u>\$1,407,826</u>	<u>\$ 1,226,128</u>

## 8 Equipment

### Cost

Balance July 31, 2017	\$ 1,075,800
Currency translation	<u>21,485</u>
Balance July 31, 2018	\$ 1,097,285
Currency translation	<u>13,412</u>
<b>Balance October 31, 2018</b>	<b><u>\$1,110,697</u></b>

### Accumulated amortization

Balance July 31, 2017	\$ 563,274
Amortization for the year	57,211
Currency translation	<u>(1,279)</u>
Balance July 31, 2018	\$ 621,733
Amortization for the period	14,620
Currency translation	<u>9,011</u>
<b>Balance October 31, 2018</b>	<b><u>\$645,364</u></b>

### Carrying amounts

As at October 31, 2018	\$ 465,333
As at July 31, 2018	\$ 475,552

# International Parkside Products Inc.

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## 9 Capital stock and contributed surplus

At October 31, 2018 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, 2017	1,440,000	\$0.10
Exercised	(275,000)	\$0.10
<b>Balance – July 31, 2018</b>	<b>1,165,000</b>	<b>\$0.10</b>
<b>Balance – October 31, 2018</b>	<b>1,165,000</b>	<b>\$0.10</b>

The following options to acquire common shares of the Company were outstanding and exercisable at October 31, 2018:

	Number of Shares/Units	Exercise Price	Expiry Date
<b>Options</b>	1,165,000	\$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. 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. The following weighted average assumptions were used for the valuation of the stock options:

	<u>Year ended July</u> <u>2017</u>
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.

# International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(expressed in Canadian dollars)

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## 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, 2018	Period ended October 31, 2017
Management fees	\$ 36,000	\$ 34,900

- (i) Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended October 31, 2018 and 2017.
- (ii) Included in accounts payable is \$4,462 (October 31, 2017 - \$9,303) 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.

# International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

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## 11 Commitments (cont'd...)

During fiscal 2007, the Company received regulatory approval to the agreement and the preferred shares were issued. As of July 31, 2018, the Company has accrued \$13,300 dividends payable (2017 - \$13,300). 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, 2018, the Company is exposed to credit risk on the receivables of \$1,892,630 from CarbonKlean (2017 \$2,325,286). This balance is unsecured and management negotiates periodic payments on these balances.

# International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(expressed in Canadian dollars)

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## 12 Financial and risk management (cont'd...)

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, 2018, the Company had one customer that accounted for more than 10% of total accounts receivable as follows: 89% (2017 – one customer as follows: 91%)

### Liquidity risk

The Company is not exposed to a significant amount of liquidity risk. As at the period ended October 31, 2018, the Company had positive working capital of \$742,575 (October 31, 2017 - \$762,735). 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, 2018, the Company had capital of \$1,204,691 (October 31, 2017 - \$1,277,460). 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 Income Taxes

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

	<b>2018</b>	<b>2017</b>
Profit before taxes	\$ 261,308	\$ 27,943
Combined federal and provincial statutory tax rate	26.6%	26.0%
Expected income tax recovery at statutory tax rates	\$ 70,000	\$ 7,000
Impact of future income tax rate applied versus current statutory rate	7,000	(8,000)
Change in unrecognized deductible temporary difference	-	(37,000)
Adjustment of prior years' provision	-	45,000
Non-deductible expenditures and other	<u>2,000</u>	<u>(9,000)</u>
Total deferred tax expense (recovery)	\$ 79,000	\$ (2,000)

# International Parkside Products Inc.

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## 14 Income Taxes (cont'd...)

	2018	2017
Current income tax	\$ 81,000	\$ 9,000
Deferred income tax expense (recovery)	(2,000)	(11,000)

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

	2018	2017
Exploration and evaluation assets	\$ 19,000	\$ 19,000
Property and equipment	(116,000)	(119,000)
Allowable capital loss	1,000	1,000
Non-capital losses	-	1,000
	\$ (96,000)	\$ (98,000)

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:

	2018	Expiry dates	2017
Other assets	\$ -	No expiry date	\$ -
Non-capital losses available for future periods	-	2030 to 2038	142,000
Allowable capital losses	-	No expiry date	-
Capital assets	-	No expiry date	-
	\$ -		\$ 142,000

## 15 Loan payable

During the period ended October 31, 2018, the Company received proceeds of \$400,000 pursuant to promissory notes of which \$300,000 have been advanced by directors of the Company. The loans bear interest of 10% payable monthly, and are due and payable one year after issuance. The company issued 615,384 bonus shares the lenders in consideration for the loans.