

INTERNATIONAL PARKSIDE PRODUCTS INC.
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JULY 31, 2019
(and containing information as of November 8, 2019)

DATED: November 8, 2019

The following Management Discussion and Analysis of International Parkside Products Inc. (the “Company”), prepared as of November 8, 2019 should be read together with the audited consolidated financial statements for the year ended July 31, 2019 and related notes attached thereto (the “Financial Statements”) which 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”). The Company’s management is responsible for presentation and preparation of the consolidated financial statements and the Management’s Discussion and Analysis (“MD&A”). The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

All amounts are stated in Canadian dollars unless otherwise indicated.

The Company was incorporated on May 18, 1983, pursuant to the Company Act of British Columbia, and made its transition application pursuant to the new British Columbia Business Corporations Act.

Additional information related to the Company is available for view on the Company’s website at www.lenspen.com and on SEDAR at www.sedar.com.

Description of business

The Company, through its wholly owned subsidiaries, Parkside Optical Inc. (“Parkside Optical”) and EIC Energy Interface Inc. (“EIC”), is in the business of producing and marketing innovative optical, screen cleaning and eyeglass cleaning products using the Company’s patented carbon black technology and the new light carbon formula 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.

Since the first shipment of LensPen in August 1993, the Company has expanded sales of these products to over 80 distributors in over 85 countries and is continuously seeking to add new distributors and items to its range of cleaning devices.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol IPD. The Company’s head office is located at #210 – 13480 Crestwood Place, Richmond, BC, V6V 2K1.

Performance summary

The following is a summary of significant events and transactions that occurred during the year ended July 31, 2019:

The Company experienced a decrease in revenue - \$4,845,708 during the year (\$6,879,982 for 2018).

This translates into a revenue decrease of \$2,034,274. The Company sells its products globally in U.S. dollars but reports in Canadian dollars, causing distortions in year to year comparisons.

During the year, the Company exhibited at the Canadian Association of Chiefs of Police show in Halifax, Nova Scotia, the InterDrone show in Las Vegas, NV, Photokina in Cologne, Germany, the International Association of Chiefs of Police show in Orlando, FL, the PhotoPlus Expo in New York, NY, the Photography Show in Birmingham England, and the IWA and WPPI shows. Through these shows and through ongoing work with existing customers the company has increased business with existing customers and begun business with new customers in the law enforcement, drone, photography and videography markets. Sales to the United States' Defense Logistics Agency through distributor Phoenix Trading Inc and rifle scope manufacturer Trijicon Inc were also stronger. Sales to the sport optics markets through major OEM partners Nikon USA and Leupold & Stevens were also stronger. Executives from the Company attended Unmanned Security Expo, International Security Expo and SHOT Show, both in support of existing customers and in order to reach new customers, the photo, surveillance, law enforcement and sport optics markets.

Selected annual information

The following table provides a brief summary of the Company's financial operations. For detailed information, refer to the Financial Statements.

	Year Ended July 31, 2019	Year Ended July 31, 2018	Year Ended July 31, 2017
Total sales revenues	4,845,708	6,879,982	6,269,531
Net earnings (loss) for the year before taxes	(213,129)	261,308	27,943
Basic and diluted earnings (loss) per share	(0.01)	0.01	(0.00)
Total assets	2,210,104	2,662,526	2,321,291
Total long-term liabilities	69,000	96,000	98,000
Cash dividends	nil	158,927	156,177

Results of operations

Significant revenues generated and expenses incurred during the year ended July 31, 2019 are as follows:

Sales revenue of \$4,845,708 (2018 - \$6,879,982) Sales are made in US dollars but reported in CDN dollars causing distortions in period to period comparisons.

Cost of goods sold of \$3,398,881 (70%) (2018 - \$4,999,589) (73%) Cost of goods has decreased due to increased profit margins.

Accounting and audit fees of \$45,610 (2018 - \$52,360) Audit fees have remained stable.

Commissions of \$21,186 (2018 - \$24,966) The majority of commissions were paid to Wong Hou Yee for his work in securing the Asia contracts.

Consulting fees of \$172,660 (2018 - \$119,540) Consulting fluctuates year to year.

Interest expense of \$99,566 (2018 – \$9,638) Interest increased due to the loans.

Legal fees of \$42,722 (2018 - \$51,636) Legal fees are largely comprised of costs for patents and trademarks and corporate filings.

Management fees of \$144,000 (2018 - \$142,900) Management fees were paid to the President, Mr. Murray Keating.

Marketing costs of \$56,249 (2018 - \$63,342) Marketing costs are primarily comprised of promotional strategies and new initiatives.

Office and administration of \$133,024 (2018 - \$108,899) The main cost areas were postage and courier, office supplies, telephone and internet costs, and insurance and were higher this year due to the relocation of the office.

Rent of \$84,389 (2018 - \$119,937) The Company moved offices so rent will decrease dramatically.

Salaries of \$648,832 (2018 - \$664,339) Salaries contain gross wages and bonuses paid to Directors, Officers, and employees.

Trade shows of \$122,978 (2018 - \$70,589) The Company continues to attend various International trade shows. These shows are a valuable tool to find new distributors and assist existing distributors.

Transfer agent and regulatory fees of \$19,101 (2018 - \$13,362) Regulatory fees have increased.

Travel and promotion costs of \$123,817 (2018 - \$148,179) Travel and promotion consists of visiting and supporting the larger customers.

Summary of quarterly results

Three Months Ended	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018
Total assets	2,210,104	2,574,522	3,854,490	3,145,627
Working capital	603,147	763,772	879,785	742,575
Shareholders' equity	1,042,743	1,203,877	1,325,399	1,204,691
Sales revenues	714,202	660,382	2,116,108	1,355,016
Net earnings (loss)	(91,255)	(116,681)	140,175	(93,368)
Basic and diluted earnings (loss) per share	(0.01)	(0.01)	0.01	0.00

Three Months Ended	July 31, 2018	April 30, 2018	January 31, 2018	October 31, 2017
Total assets	2,662,526	3,379,505	3,504,299	3,715,509
Working capital	773,198	861,144	860,916	762,735
Shareholders' equity	1,246,472	1,340,770	1,331,848	1,277,460
Sales revenues	648,583	1,457,640	2,426,514	2,347,245
Net earnings (loss)	(114,376)	86,710	147,658	115,643
Basic and diluted earnings (loss) per share	(0.01)	0.01	0.01	0.01

The quarterly variations in revenue result largely from the cyclical nature of the Company's order pattern.

Liquidity

The Company is self-financed through its generation of positive cash flows.

	July 31 2019	April 30 2019	January 31 2019	October 31 2018
Working capital	603,147	763,772	879,785	742,575
Deficit	(4,639,322)	(4,548,067)	(4,431,386)	(4,571,561)

Net cash provided by operating activities for the year ended July 31, 2019 consists primarily of the operating activities and changes in non-cash working capital.

Net cash provided by (used in) operating activities during the year was (\$182,646) compared to \$172,312 during 2018.

Net cash provided by (used in) investing activities was \$33,345 during the year and (\$17,671) in 2018.

Net cash provided by (used in) financing activities was \$400,000 during the year and (\$131,427) in 2018.

Significant accounting policies

Significant Accounting Estimates and Judgments

The preparation of these the condensed 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 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 valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

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.

Outstanding share data

Authorized – Unlimited common shares without par value:

Issued and fully paid	Common shares	Amount \$	Preferred shares	Amount \$	Total \$	Contributed Surplus
Balance – July 31, 2017	15,617,670	5,275,847	91,111	41,000	5,316,847	513,165
Share options exercised	275,000	39,958	-	-	39,958	(12,458)
Balance – July 31, 2018	15,892,670	5,315,805	91,111	41,000	5,356,805	500,707
Bonus shares issued (c)	615,384	80,000	-	-	80,000	-
Stock based compensation	-	-	-	-	-	17,611
Balance – July 31, 2019	16,508,054	5,395,805	91,111	41,000	5,436,805	518,318

As at November 8, 2019 there are 16,508,054 shares outstanding.

a) During the 2007 fiscal year, the Company received regulatory approval to an agreement with Cornerstone Technologies for the issuance of 91,111 preferred shares at a price of \$0.45 per share. The preferred shares, which have now been issued, are exchangeable into common shares of the Company on a one-for-one basis.

b) The Company has established a share purchase plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors. All stock options vest immediately. The maximum number of shares that may be issued under the plan cannot exceed 10% of the Company's issued shares.

c) During the year ended July 31, 2019, 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 at a fair value of \$80,000 to the lenders in consideration for the loans.

Stock options

The following incentive stock options are outstanding and exercisable as at July 31, 2019 and November 8, 2019.

	Number of Shares/Units	Exercise Price	Expiry Date
Options	1,165,000	0.10	November 9, 2019
	390,000	0.10	March 7, 2024

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.

	Year ended July 31, 2019	Year ended July 31, 2018
Management fees	\$ 144,000	\$ 142,900

Compensation of key management personnel (includes management and consulting fees)

	Year ended July 31, 2019	Year ended July 31, 2018
Salaries, incentives and short term benefits	\$ 463,316	\$ 460,200

- (i) Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended July 31, 2019 and 2018.
- (ii) Included in accounts payable is \$625 (July 31, 2018 - \$6,151) due to officers and directors of the Company.
- (iii) 615,384 bonus shares at a fair value of \$80,000 were issued to directors and key management during the year ended July 31, 2019.

Commitments

The Company entered into an office lease agreement beginning March 1, 2019 for an initial term of three years. As at July 31, 2019, the Company is committed to pay the following:

	Less than 1 year	1-5 years
Office Lease	\$ 48,000	\$ 76,000

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, 2019, the Company has accrued \$13,300 dividends payable (2018 - \$13,300). This has been shown as a liability on the financial statements under accounts payable.

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, loans 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 July 31, 2019, the Company is exposed to credit risk on the receivables of \$935,193 from CarbonKlean (2018 - \$1,315,468). 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 July 31, 2019, the Company had one customer that accounted for more than 10% of total accounts receivable as follows: 80% (2018 - one customer as follows: 81%)

Liquidity risk

The Company is not exposed to a significant amount of liquidity risk. As at the year ended July 31, 2019, the Company had positive working capital of \$603,147 (July 31, 2018 - \$773,198). 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.

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 year ended July 31, 2019, the Company had capital of \$1,042,743 (July 31, 2018 - \$1,246,472). 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 adjusts accordingly.

Future Accounting Standards and Amendments

The following new standards and amendments have been adopted during the year ended July 31, 2019.

- 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 did not 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 did not have a significant impact on the financial statements.

The following new standards and amendments have been issued but are not effective during the year ended July 31, 2019.

- 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. The Company has an office lease agreement which is expected to be recorded as a right-of-use asset and lease liability under IFRS 16. The Company estimates at August 1, 2019, it will record a right-of use asset of approximately \$86,000 (net of depreciation), and a corresponding lease liability of approximately \$89,000.

Loans payable

During the year ended July 31, 2019, 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 at a fair value of \$80,000 to the lenders in consideration for the loans.

Discussion of non-financial items

A resolution was approved by the directors and the Company has adopted a Code of Conduct pursuant to section 140(3) of the Business Corporations Act (British Columbia), filed on SEDAR at www.sedar.com on March 8, 2007. The Company had their Annual General Meeting on July 11, 2019 at the Company's offices located at #210 – 13480 Crestwood Place, Richmond, BC.

Approval

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it. Additional information relating to the Company's operations and activities can be found by visiting the Company's website at www.lenspen.com as well as numerous news releases which are filed on SEDAR at www.sedar.com.

For more information please contact Mr. Murray Keating, President, at 604-681-6472. ext. 105.

Note Regarding Forward-looking information

This Management Discussion and Analysis ("MD&A") contains certain forward-looking statements and information relating to International Parkside Products Inc. and its subsidiaries (the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, and the sufficiency of current working capital. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward looking statements.