

International Parkside Products Inc.

Condensed Interim Consolidated Financial Statements

October 31, 2021

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, 2021 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, 2021	July 31, 2021
Assets		
Current assets		
Cash	\$ 305,858	\$ 322,647
Accounts receivable (note 4)	1,129,939	442,446
Income tax receivable (note 17)	114,280	115,000
Inventory	85,015	96,322
Prepaid expenses	15,534	7,809
	<u>\$ 1,650,626</u>	<u>\$ 984,224</u>
Equipment (note 7)	270,265	285,570
Right of use asset (note 9)	13,790	24,445
Licensing rights (note 8)	66,626	68,790
	<u>\$ 2,001,307</u>	<u>\$ 1,363,029</u>
Total assets		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 879,646	\$ 225,150
Loans payable (note 15)	150,000	150,000
Customer deposits	16,774	112,614
Lease liability (note 9)	15,213	26,846
	<u>\$ 1,061,633</u>	<u>\$ 514,610</u>
Deferred income taxes payable (note 17)	22,000	22,000
Bank line of credit (note 6)	60,000	60,000
	<u>\$ 1,143,633</u>	<u>\$ 596,610</u>
Total Liabilities		
Shareholders' Equity		
Capital stock (note 10)	\$ 5,436,805	\$ 5,436,805
Contributed surplus (note 10)	551,822	551,822
Currency translation reserve	(389,084)	(378,493)
Deficit	(4,741,869)	(4,843,715)
	<u>857,674</u>	<u>766,419</u>
Total liabilities and shareholders' equity	<u>\$ 2,001,307</u>	<u>\$ 1,363,029</u>

Nature of Operations (note 1)

Commitments (note 12)

Approved by the Board of Directors

"signed" Murray Keating Director

"signed" Ryan 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 (Loss) and Comprehensive Earnings (Loss)

Unaudited – prepared by Management

Three months ended October 31, 2021 and 2020

(expressed in Canadian dollars)

	2021	2020
		(Restated – Note 16)
Sales revenue	\$ 1,398,928	\$ 952,873
Selling expenses		
Sales discounts and rebates	(10,078)	(4,193)
Net revenue	1,388,850	948,680
Cost of goods sold	(961,892)	(650,366)
Gross Profit	426,958	298,314
Expenses		
Accounting and audit	10,000	10,000
Amortization equipment (note 7)	13,721	14,831
Amortization of licensing rights (note 8)	1,760	1,851
Amortization of right of use asset (note 9)	10,656	10,631
Commissions	831	1,051
Consulting	32,114	31,025
Foreign exchange gain	(2,344)	(5,597)
Interest accretion, and bank charges - net	3,209	5,622
Interest on lease liability (note 9)	594	1,687
Legal	9,681	13,558
Management fees (note 11)	36,000	36,000
Marketing	10,703	10,398
Office and administration	23,620	25,181
Salaries (note 11)	155,549	120,734
Trade shows	-	-
Transfer agent and regulatory fees	1,288	1,554
Travel and promotion	17,730	15,537
	(325,112)	(294,063)
Net earnings for the period	\$ 101,846	\$ 4,251
Other comprehensive loss:		
Foreign currency loss	(10,591)	(13,703)
Comprehensive earnings (loss)	\$ 91,255	\$ (9,452)
Basic and diluted earnings (loss) per share	\$ 0.01	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	16,508,054	16,508,054

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, 2021 and 2020

(expressed in Canadian dollars)

	2021	2020 (Restated – Note 16)
Cash flows from operating activities		
Net earnings for the period	\$ 101,846	\$ 4,251
Items not affecting cash		
Amortization of equipment	13,721	14,831
Amortization of licensing rights	1,760	1,851
Interest and accretion	594	1,687
Amortization of right of use asset	10,656	10,631
	<u>128,577</u>	<u>33,251</u>
Changes in non-cash working capital items		
(Increase) Decrease in accounts receivable	(687,493)	(284,754)
(Increase) Decrease in inventory	11,307	(12,133)
(Increase) Decrease in prepaid expenses	(7,725)	695
Increase (Decrease) in payables and accrued liabilities	654,496	247,816
Increase (Decrease) in customer deposits	(95,840)	(1,320)
	<u>(125,255)</u>	<u>(49,696)</u>
Net cash provided by (used in) operating activities	<u>3,322</u>	<u>(16,445)</u>
Cash flows from investing activities		
	-	-
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Lease payments	(12,227)	(12,161)
Net cash provided by (used in) financing activities	<u>(12,227)</u>	<u>(12,161)</u>
Effect of foreign exchange rate on cash	<u>(7,884)</u>	<u>(8,272)</u>
Increase (decrease) in cash	<u>(16,789)</u>	<u>(36,878)</u>
Cash - Beginning of period	<u>322,647</u>	<u>398,174</u>
Cash - End of period	<u>\$ 305,858</u>	<u>\$ 361,296</u>

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

International Parkside Products Inc.

Consolidated Statements of Changes in Shareholders' Equity

Unaudited – prepared by Management

(expressed in Canadian dollars)

Balance at	Capital Stock (Number of Shares)	(Amount) \$	Preferred Shares \$	Contributed Surplus \$	Currency translation reserve \$	Deficit \$	Total \$
July 31, 2020	16,508,054	5,395,805	41,000	551,822	(283,333)	(4,889,229)	816,065
(Restated – Note 16)							
Change in translation	-	-	-	-	(13,703)	-	(13,703)
Net earnings for the period	-	-	-	-	-	4,251	4,251
October 31, 2020	16,508,054	5,395,805	41,000	551,822	(297,036)	(4,884,978)	806,613
(Restated – Note 16)							
Change in translation	-	-	-	-	(81,457)	-	(81,457)
Net earnings for the period	-	-	-	-	-	41,263	41,263
July 31, 2021	16,508,054	5,395,805	41,000	551,822	(378,493)	(4,843,715)	766,419
Change in translation	-	-	-	-	(10,591)	-	(10,591)
Net earnings for the period	-	-	-	-	-	101,846	101,846
October 31, 2021	16,508,054	5,395,805	41,000	551,822	(389,084)	(4,741,869)	857,674

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, 2021

(expressed in Canadian dollars)

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 #210 – 13480 Crestwood Place, Richmond, British Columbia, Canada, V6V 2K1.

2 Statement of compliance

These consolidated interim 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 consolidated interim 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 interim 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 interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Going concern

These consolidated interim 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, 2021, the Company had experienced an increasing concentration of sales on a single customer, and this trend may continue into fiscal 2022. 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. These material uncertainties may cast significant doubt upon the ability of the Company to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

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Three months ended October 31, 2021

(expressed in Canadian dollars)

3 Significant accounting policies

Basis of consolidation

These consolidated interim 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 consolidated interim 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:

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.

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(expressed in Canadian dollars)

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

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.

Inventory

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

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.

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Notes to Condensed Interim Consolidated Financial Statements

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(expressed in Canadian dollars)

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

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 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

International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

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Three months ended October 31, 2021

(expressed in Canadian dollars)

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

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 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 (loss) 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.

International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

Unaudited – prepared by Management

Three months ended October 31, 2021

(expressed in Canadian dollars)

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

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

The Company classifies its financial assets in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company’s accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of profit or loss in the period.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss) in which they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

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Three months ended October 31, 2021

(expressed in Canadian dollars)

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

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

Financial liabilities

Financial liabilities at amortized cost: Financial liabilities at amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial instruments	IFRS 9 Classification
Cash	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost

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).

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 FVTOCI.

International Parkside Products Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(expressed in Canadian dollars)

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

Right-of use assets and lease liabilities

The Company assesses whether a contract is a lease at inception of the contract and recognizes a right-of-use asset and a corresponding liability with respect to all lease arrangements unless the lease is a low value lease or ends within 12 months. The right-of-use assets comprise the initial measurement of the corresponding lease liabilities and any direct costs. They are subsequently measured at cost less depreciation and any impairment losses. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

4 Accounts receivable

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

	October 31, 2021	July 31, 2021
HST/GST receivable	\$ 8,899	\$ 7,787
Trade receivables	813,375	129,912
*Advances receivable	307,665	304,747
Total	\$ 1,129,939	\$ 442,446

5 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

	October 31, 2021	July 31, 2021
Trade payables	\$ 797,411	\$ 152,721
Accrued liabilities	82,235	72,429
Total	\$ 879,646	\$ 225,150

6 Bank line of credit

	October 31, 2021	July 31, 2021
Bank line of credit	\$ 60,000	\$ 60,000

During the year ended July 31, 2020, the Company received a 0% interest operating line of credit to December 31, 2020 under the terms of the Canadian Emergency Business Account Program. On January 1, 2021, the line of credit converted to a 2-year 0% interest term loan to be repaid by December 31, 2022. If repaid in full by December 31, 2022, 25% of the balance will be forgiven. If not repaid by December 31, 2022, the Company will have the option for a 3-year term extension on the unpaid balance of the loan bearing interest at the rate of 5% per annum. The loan must be repaid by December 31, 2025.

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7 Equipment

Cost

Balance July 31, 2020	\$	1,113,173
Currency translation		<u>1,203</u>
Balance July 31, 2021	\$	1,114,376
Currency translation		<u>847</u>
Balance October 31, 2021	\$	1,115,223

Accumulated amortization

Balance July 31, 2020	\$	743,850
Amortization for the year		56,813
Currency translation		<u>28,143</u>
Balance July 31, 2021	\$	828,806
Amortization for the period		13,721
Currency translation		<u>2,431</u>
Balance October 31, 2021	\$	844,958

Carrying amounts

As at October 31, 2021	\$	270,265
As at July 31, 2021	\$	285,570

8 Licensing rights

Cost

Balance, July 31, 2020	\$	133,174
Currency translation		<u>8,554</u>
Balance July 31, 2021		124,620
Currency translation		<u>421</u>
Balance, October 31, 2021	\$	125,041

Accumulated amortization

Balance, July 31, 2020	\$	51,678
Amortization for the year		7,133
Currency translation		<u>(2,981)</u>
Balance, July 31, 2021		55,830
Amortization for the period		1,760
Currency translation		<u>825</u>
Balance, October 31, 2021	\$	58,415

Carrying amounts

As at October 31, 2021	\$	66,626
As at July 31, 2020	\$	81,496

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8 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.

9 Right-of-use asset and lease liability

Lease for office premises at #210 – 13480 Crestwood Place, Richmond, BC V6V 2K1

Right-of use-asset	Office lease
Balance July 31, 2021	\$ 24,445
Depreciation	(10,655)
Balance October 31, 2021	\$ 13,790
Lease liability	
Balance July 31, 2021	\$ 26,846
Lease payments	(12,227)
Interest on lease obligation	594
Balance October 31, 2021	\$ 15,213
Current portion	\$ 15,213
Long-term portion	\$ nil

10 Capital stock and contributed surplus

At July 31, 2021, the Company had unlimited authorized common shares.

No shares were issued during the years ended July 31, 2020 and 2021.

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.

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10 Capital stock and contributed surplus (cont'd...)

Stock option transactions are summarized as follows:

	Options Outstanding	Weighted Average Exercise Price
Balance – July 31, 2020	1,605,000	\$0.10
Expired	-	-
Granted	-	-
Balance – July 31, 2021 and October 2021	1,605,000	\$0.10

The following options to acquire common shares of the Company were outstanding and exercisable at October 31, 2021:

	Number of Shares/Units	Exercise Price	Expiry Date
Options	1,215,000	\$0.10	November 22, 2024
	390,000	\$0.10	March 7, 2024

During the year ended July 31, 2020, the Company granted 1,215,000 incentive stock options to employees, officers and directors. The fair value of stock options granted during the years used to calculate compensation expense for employees is estimated using the Black-Scholes option pricing model. Total stock-based compensation recognized in profit or loss during the year ended July 31, 2020 was \$86,162. The following weighted average assumptions were used for the valuation of the stock options:

	<u>Year end July 31, 2020</u>
Average risk-free interest rate	1.51%
Expected dividend yield	Nil
Expected stock price volatility	144.77%
Average expected option life in years	5 years
Weighted average fair value per share	\$ 0.08

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.

11 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.

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11 Related party transactions (cont'd...)

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, 2021	Period ended October 31, 2020
Management fees	\$ 36,000	\$ 36,000

- (i) Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended October 31, 2021 and 2020.
- (ii) Included in accounts payable is \$4,314 (October 31, 2020 - \$1,729) due to officers and directors of the Company.

12 Commitments

As at October 31, 2021, the Company is committed to pay the following:

	Less than 1 year	1-5 years
Office Lease	\$ 16,302	\$ nil

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 October 31, 2021, the Company has accrued \$13,300 dividends payable (2020 - \$13,300). This has been shown as a liability on the financial statements under accounts payable.

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13 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 October 31, 2021, the Company is exposed to credit risk on the receivables of \$973,681 from CarbonKlean (October 31, 2020 - \$851,752). 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, 2021, the Company had one customer that accounted for more than 10% of total accounts receivable as follows: 86%. (October 31, 2020 – one customer as follows: 91%)

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13 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, 2021, the Company had positive working capital of \$588,993 (October 31, 2020 - \$400,707).

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.

14 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, 2021, the Company had capital of \$857,674 (October 31, 2020 - \$806,613).

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.

15 Loans payable

During the year ended July 31, 2019, the Company received proceeds of \$400,000 pursuant to promissory notes of which \$300,000 had been advanced by directors of the Company. The loans bear interest of 10% payable monthly, are unsecured, and are due and payable one year after issuance.

The Company issued 615,384 bonus shares at fair value of \$80,000 to the lenders in consideration for the loans.

During the year ended July 31, 2020 the Company repaid \$100,000 and during this year ended July 31, 2021 repaid \$150,000.

Balance, July 31, 2019	\$	386,667
Accretion		13,333
Repayment		<u>(100,000)</u>
Balance July 31, 2020	\$	300,000
Repayment		<u>(150,000)</u>
Balance, July 31, and October 31, 2021	\$	150,000

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16 Restatement of prior year financial statements

During the preparation of the consolidated financial statements for the year ended July 31, 2020, the Company determined that the foreign exchange gain in Net Earnings and the foreign exchange loss in Other Comprehensive Income were each overstated by \$283,220. The reclassification of the amount increases the loss for the year end decreases the other comprehensive loss. There is no change to comprehensive loss for the year. The consolidated financial statement impact for the year ended July 31, 2020 resulting from the adjustment described above is as follows:

	As previously reported	Restatement	Restated
Statement of financial position			
Currency translation reserve	\$ (566,553)	\$ 283,220	\$ (283,333)
Deficit	(4,606,009)	(283,220)	(4,889,229)
Statement of loss and comprehensive loss			
Foreign exchange gain	\$ (311,280)	\$ 283,220	\$ (28,060)
Net earnings (loss) for the year	(19,345)	(283,220)	(302,565)
Statement of Cash Flows			
Net cash provided by operating activities	\$ 410,052	\$ (566,553)	\$ 126,832
	\$ (0.01)	\$ 0.02	\$ 0.01
Basic and diluted earnings (loss) per share			

17 Income taxes

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

	2021	2020
Profit (loss) before taxes	\$ (111,486)	\$ 15,655
Combined federal and provincial statutory tax rate	27.0%	27.0%
Expected income tax (recovery)	\$ (30,000)	\$ 4,000
Adjustment to prior years provisions versus statutory tax returns	(120,000)	-
Non-deductible expenditures and other	(7,000)	31,000
Total income tax expense (recovery)	\$ (157,000)	\$ 35,000
	2021	2020
Current income tax expense recovery	\$ (115,000)	\$ 40,000
Deferred income tax recovery	\$ (42,000)	\$ (5,000)

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17 Income taxes (cont'd...)

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

	2021	2020
Exploration and evaluation assets	\$ 17,000	\$ 17,000
Property and equipment	(73,000)	(95,000)
Share issue costs	9,000	13,000
Allowable capital loss	1,000	1,000
Non-capital losses	24,000	-
	<u>\$ (22,000)</u>	<u>\$ (64,000)</u>

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:

	2021	Expiry dates	2020
Other assets	\$ -	No expiry date	\$ -
Non-capital losses available for future periods	-	2030 to 2040	-
Allowable capital losses	-	No expiry date	-
Capital assets	-	No expiry date	-
	<u>\$ -</u>		<u>\$ -</u>