

International Parkside Products Inc.

Consolidated Financial Statements

July 31, 2022

(expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
International Parkside Products Inc.

Opinion

We have audited the accompanying consolidated financial statements of International Parkside Products Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2022 and 2021, and the consolidated statements of earnings (loss) and comprehensive earnings (loss), cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company has a significant concentration of sales with a limited number of customers. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

November 7, 2022

International Parkside Products Inc.

Consolidated Statements of Financial Position
(expressed in Canadian dollars)

As At	July 31, 2022	July 31, 2021
Assets		
Current assets		
Cash	\$ 259,524	\$ 322,647
Accounts receivable (note 4)	607,233	442,446
Income tax receivable (note 17)	-	115,000
Inventory	92,498	96,322
Prepaid expenses	6,258	7,809
	<hr/>	<hr/>
	965,513	984,224
Equipment (note 7)	237,875	285,570
Right of use asset (note 9)	156,023	24,445
Licensing rights (note 8)	63,607	68,790
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Total assets	\$ 1,423,018	\$ 1,363,029
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 403,630	\$ 225,150
Loans payable (note 15)	75,000	150,000
Customer deposits	12,224	112,614
Lease liability (note 9)	29,424	26,846
	<hr/>	<hr/>
	520,278	514,610
Deferred income taxes payable (note 17)	9,000	22,000
Bank line of credit (note 6)	60,000	60,000
Lease liability (note 9)	131,473	-
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Total Liabilities	\$ 720,751	\$ 596,610
Shareholders' Equity		
Capital stock (note 10)	\$ 5,436,805	\$ 5,436,805
Contributed surplus (note 10)	551,822	551,822
Currency translation reserve	(379,428)	(378,493)
Deficit	(4,906,932)	(4,843,715)
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	702,267	766,419
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Total liabilities and shareholders' equity	\$ 1,423,018	\$ 1,363,029
Nature of Operations (note 1)		
Going Concern (note 2)		
Commitments (note 12)		

Approved by the Board of Directors November 7, 2022

Signed "Murray Keating" _____ Director

signed "Ryan Keating" _____ Director

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

International Parkside Products Inc.

Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

Years ended July 31, 2022 and 2021

(expressed in Canadian dollars)

	2022	2021
Sales revenue	\$ 3,702,221	\$ 3,691,166
Selling expenses		
Sales discounts and rebates	(12,391)	(28,197)
Net revenue	3,689,830	3,662,969
Cost of goods sold	(2,387,065)	(2,513,405)
Gross Profit	1,302,765	1,149,564
Expenses		
Accounting and audit	40,427	41,418
Amortization equipment (note 7)	55,409	56,813
Amortization of licensing rights (note 8)	7,107	7,133
Amortization of right of use asset (note 9)	45,052	42,598
Commissions	2,906	5,030
Consulting	143,493	129,425
Foreign exchange gain	(22,691)	(13,857)
Interest accretion, and bank charges - net	13,432	32,332
Interest on lease liability (note 9)	10,812	5,156
Legal	12,611	19,866
Management fees (note 11)	144,000	144,000
Marketing	46,582	52,252
Office and administration	95,563	78,827
Salaries (note 11)	672,086	579,013
Trade shows	19,103	-
Transfer agent and regulatory fees	13,978	13,450
Travel and promotion	79,112	67,594
	1,378,982	(1,261,050)
Loss before taxes	(76,217)	(111,486)
Current income tax recovery (note 17)	-	115,000
Deferred income tax recovery (note 17)	13,000	42,000
Net earnings (loss) for the year	(63,217)	45,514
Other comprehensive loss:		
Foreign currency loss	(935)	(95,160)
Comprehensive loss	\$ (64,152)	\$ (49,646)
Basic and diluted earnings (loss) per share	\$ (0.01)	\$ (0.01)
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 consolidated financial statements.

International Parkside Products Inc.

Consolidated Statements of Cash Flows

Years ended July 31, 2022 and 2021

(expressed in Canadian dollars)

	2022	2021
Cash flows from operating activities		
Net earnings (loss) for the year	\$ (63,217)	\$ 45,514
Items not affecting cash		
Amortization of equipment	55,409	56,813
Amortization of licensing rights	7,107	7,133
Interest and accretion	10,812	5,156
Deferred income tax recovery	(13,000)	(42,000)
Amortization of right of use asset	45,052	42,598
	<u>42,163</u>	<u>115,214</u>
Changes in non-cash working capital items		
(Increase) Decrease in accounts receivable	(168,186)	412,169
(Increase) Decrease in income tax receivable	115,000	-
(Increase) Decrease in inventory	3,824	(2,997)
(Increase) Decrease in prepaid expenses	1,551	(155)
Increase (Decrease) in accounts payable and accrued liabilities	178,480	(325,602)
Increase (Decrease) in customer deposits	(100,390)	95,363
Increase (Decrease) in current taxes payable	-	(155,000)
	<u>30,279</u>	<u>23,778</u>
Net cash provided by operating activities	<u>72,442</u>	<u>138,992</u>
Cash flows from investing activities	-	-
Net cash provided by (used in) investing activities	-	-
Cash flows from financing activities		
Repayment of loan	(75,000)	(150,000)
Lease payments	(49,992)	(48,797)
Bank line of credit	-	20,000
Net cash used in financing activities	<u>(124,992)</u>	<u>(178,797)</u>
Effect of foreign exchange rate on cash	<u>(10,573)</u>	<u>(35,722)</u>
Increase (decrease) in cash	<u>(63,123)</u>	<u>(75,527)</u>
Cash - Beginning of year	<u>\$ 322,647</u>	<u>\$ 398,174</u>
Cash - End of year	<u>\$ 259,524</u>	<u>\$ 322,647</u>
Cash paid out for interest	\$ 12,946	\$ 25,068
Cash paid out for tax	\$ -	\$ -

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

International Parkside Products Inc.

Consolidated Statements of Changes in Shareholders' Equity (expressed in Canadian dollars)

Balance at	Capital Stock		Preferred Shares \$	Contributed Surplus \$	Currency translation reserve \$	Deficit \$	Total \$
	(Number of Shares)	(Amount) \$					
July 31, 2020	16,508,054	5,395,805	41,000	551,822	(283,333)	(4,889,229)	816,065
Change in translation	-	-	-	-	(95,160)	-	(95,160)
Net earnings for the year	-	-	-	-	-	45,514	45,514
July 31, 2021	16,508,054	5,395,805	41,000	551,822	(378,493)	(4,843,715)	766,419
Change in translation	-	-	-	-	(935)	-	(935)
Net loss for the year	-	-	-	-	-	(63,217)	(63,217)
July 31, 2022	16,508,054	5,395,805	41,000	551,822	(379,428)	(4,906,932)	702,267

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

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(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 #304 – 788 Beatty Street, Vancouver, British Columbia, Canada, V6B 2M1.

2 Statement of compliance

These 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 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 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 years ended July 31, 2022 and 2021, the Company has a significant concentration of sales with a limited number of customers (note 13), and this trend will continue into fiscal 2023. A disruption of activity with one of these customers will impact the profitability of the Company. 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 Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

3 Significant accounting policies

Basis of consolidation

These 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 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:

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,

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

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

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.

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

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

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

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 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.

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

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

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.

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.

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

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

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.

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.

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

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

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.

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.

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

4 Accounts receivable

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

	July 31, 2022	July 31, 2021
HST/GST receivable	\$ 7,176	\$ 7,787
Trade receivables	268,124	129,912
*Advances receivable	331,933	304,747
Total	\$ 607,233	\$ 442,446

5 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

	July 31, 2022	July 31, 2021
Trade payables	\$ 334,933	\$ 152,721
Accrued liabilities	68,697	72,429
Total	\$ 403,630	\$ 225,150

6 Bank line of credit

	July 31, 2022	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 0% interest term loan to be repaid by December 31, 2023. If repaid in full by December 31, 2023, 33% of the balance will be forgiven. If not repaid by December 31, 2023, 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, 2026.

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

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>(5,307)</u>
Balance July 31, 2022	\$	1,109,069

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 year		55,409
Currency translation		<u>(13,021)</u>
Balance July 31, 2022	\$	871,194

Carrying amounts

As at July 31, 2022	\$	237,875
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>(573)</u>
Balance, July 31, 2022	\$	124,047

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 year		7,107
Currency translation		<u>(2,497)</u>
Balance, July 31, 2022	\$	60,440

Carrying amounts

As at July 31, 2022	\$	63,607
As at July 31, 2021	\$	68,790

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

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

During the year ended July 31, 2019, the Company entered into an office lease agreement which contained undiscounted remaining payments of \$125,466 on initial recognition. This lease expired in the year ended July 31, 2022. During the year ended July 31, 2022, the Company entered into a new office lease with undiscounted payments of \$211,679 over a period of five years. In calculating present values, the Company used a discount rate of 10%.

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

<u>Right-of use-asset</u>	<u>Office lease</u>
Balance July 31, 2020	\$ 67,043
Amortization	(42,598)
Balance July 31, 2021	24,445
Amortization	(24,445)
Balance July 31, 2022	\$ -
<u>Lease liability</u>	
Balance July 31, 2020	\$ 70,487
Lease payments	(48,797)
Interest on lease obligation	5,156
Balance July 31, 2021	26,846
Lease payments	(27,740)
Interest on lease obligation	894
Balance July 31, 2022	\$ -

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

9 Right-of-use asset and lease liability (cont'd...)

Lease for office premises at #304 – 788 Beatty Street, Vancouver, BC V6B 2M1

<u>Right-of use-asset</u>	<u>Office lease</u>
Balance July 31, 2021	\$ -
Lease recognized as of January 1, 2022	176,630
Amortization	(20,607)
Balance July 31, 2022	\$156,023
<u>Lease liability</u>	
Balance July 31, 2021	\$ -
Lease liability recognized as of January 1 2022	176,630
Lease payments	(25,651)
Interest on lease obligation	9,918
Balance July 31, 2022	\$160,897
Current portion	\$ 29,424
Long-term portion	\$ 131,473

10 Capital stock and contributed surplus

At July 31, 2022, the Company had unlimited authorized common shares.

No shares were issued during the years ended July 31, 2022 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.

There were no incentive stock options granted, exercised or expired during the years ended July 31, 2022 and 2021.

The following options to acquire common shares of the Company were outstanding and exercisable at July 31, 2022:

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

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

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.

(a) 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, 2022	Year ended July 31, 2021
Management fees	\$ 144,000	\$ 144,000

(b) Compensation of key management personnel (including management and consulting fees)

	Year ended July 31, 2022	Year ended July 31, 2021
Salaries, incentives, and short-term benefits	\$483,700	\$ 477,900

- (i) Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended July 31, 2022 and 2021.
- (ii) Included in accounts payable is \$5,095 (July 31, 2021 - \$3,322) due to officers and directors of the Company.

12 Commitments

In 2003, the Company entered into an agreement with Cornerstone Technologies (VCC) Ltd. (Cornerstone) for funding in preferred shares of Parkside Optical. Cornerstone agreed to purchase the preferred shares at a minimum price of \$0.45 per share. The preferred shares are exchangeable, at the holder's option, into common shares of the Company on a one-for-one basis. The preferred shares carry a non-cumulative 6.5% annual dividend, payable quarterly, based on the weighted average of funds invested during the quarter. Once the preferred shares have been exchanged for the common shares, all rights to receive the preferred share dividend will cease. The preferred shares and any common shares that may be issued in exchange for the preferred shares are subject to a hold period of five years, commencing from the date of investment of the preferred shares. In 2004, the Company received \$41,000 for subscriptions for preference shares from Cornerstone. During fiscal 2007, the Company received regulatory approval to the agreement and the preferred shares were issued. As of July 31, 2022, the Company has accrued \$13,300 dividends payable (2021 - \$13,300). This has been shown as a liability on the financial statements under accounts payable.

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

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 July 31, 2022, the Company is exposed to credit risk on the receivables of \$447,030 from CarbonKlean (July 31, 2021 - \$310,929) that accounted for 74% of total accounts receivable (July 31, 2021 - 70%). 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.

Liquidity risk

The Company is not exposed to a significant amount of liquidity risk. As at the year ended July 31, 2022, the Company had positive working capital of \$445,235 (July 31, 2021 - \$469,614).

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.

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

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 year ended July 31, 2022, the Company had capital of \$689,267 (July 31, 2021 - \$766,419). 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, during the year ended July 31, 2021 repaid \$150,000 and during the year ended July 31, 2022 repaid \$75,000.

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, 2021		150,000
Repayment		<u>(75,000)</u>
Balance July 31, 2022	\$	<u>75,000</u>

16 Segmented information

The Company has sales in the following geographical areas:

	2022	2021
North America	\$ 2,767,089	\$ 2,796,465
Europe	508,995	478,011
Japan	263,194	162,474
Asia	29,062	90,679
Russia	30,286	58,606
Australia/New Zealand	88,996	95,803
Other	<u>14,599</u>	<u>9,128</u>

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

	<u>\$ 3,702,221</u>	<u>\$ 3,691,166</u>
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16 Segmented information (cont'd...)

The Company has capital assets in the following geographical areas:

	<u>2022</u>	<u>2021</u>
Asia	\$ 237,875	\$ 285,570
North America	-	-
	<u>\$ 237,875</u>	<u>\$ 285,570</u>

17 Income taxes

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

	<u>2022</u>	<u>2021</u>
Loss before taxes	\$ (76,217)	\$ (111,486)
Combined federal and provincial statutory tax rate	27.0%	27.0%
Expected income tax (recovery)	(21,000)	(30,000)
Adjustment to prior years provisions versus statutory tax returns	1,000	(120,000)
Non-deductible expenditures and other	<u>7,000</u>	<u>(7,000)</u>
Total income tax expense (recovery)	\$ (13,000)	\$ (157,000)
	<u>2022</u>	<u>2021</u>
Current income tax expense recovery	\$ -	\$ (115,000)
Deferred income tax recovery	\$ (13,000)	\$ (42,000)

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

	<u>2022</u>	<u>2021</u>
Exploration and evaluation assets	\$ 16,000	\$ 17,000
Property and equipment	(61,000)	(73,000)
Share issue costs	4,000	9,000
Allowable capital loss	1,000	1,000
Non-capital losses	<u>31,000</u>	<u>24,000</u>
	<u>\$ (9,000)</u>	<u>\$ (22,000)</u>

International Parkside Products Inc.

Notes to Consolidated Financial Statements

For the year ended July 31, 2022

(expressed in Canadian dollars)

17 Income taxes (cont'd...)

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:

	2022	Expiry dates	2021
Other assets	\$ -	No expiry date	\$ -
Non-capital losses available for future periods	-	2030 to 2042	-
Allowable capital losses	-	No expiry date	-
Capital assets	-	No expiry date	-
	<u>\$ -</u>		<u>\$ -</u>