UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 001-31540

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Alberta	71-1630889
(State or other jurisdiction of incorporation or organization)	(Employer Identification No.)

6001 54 Ave. Taber, Alberta, Canada	T1G 1X4
(Address of Principal Executive Office)	Zip Code

Registrant's telephone number, including Area Code: (403) 223-2995

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value	FSI	NYSE American

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report. ☐ Yes ☒ No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): ☐ Yes ☒ No

As of June 30, 2021 the aggregate market value of the Company's common stock held by non-affiliates was $30,491,533 based on the closing price for shares of the Company's common stock on the NYSE American for that date.

As of March 29, 2022, the Company had 12,375,746 issued and outstanding shares of common stock.

Documents incorporated by reference: None

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the year ended December 31, 2021 ("Annual Report"), including the Audited Consolidated Financial Statements, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, those statements relating to development of new products, our financial condition and our ability to increase distribution of our products. Forward-looking statements can be identified by the use of forward-looking terminology, such as "may," "will," "should," "expect," "anticipate," "estimate," "continue," "plans," "intends," or other similar terminology. These forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is anticipated or forecasted in these forward-looking statements due to numerous factors, including, but not limited to, our ability to generate or obtain sufficient working capital to continue our operations, changes in demand for our products, the timing of customer orders and deliveries and the impact of competitive products and pricing. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions.

Although we believe that the expectations reflected in these forward-looking statements are reasonable and achievable, such statements involve risks and uncertainties and no assurance can be given that our actual results will be consistent with these forward-looking statements. Except as otherwise required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason, after the date this Annual Report is filed with the Securities and Exchange Commission.

PART I

Item 1. Description of Business

We were incorporated as Flexible Solutions Ltd., a British Columbia corporation on January 26, 1991. On May 12, 1998, we merged Flexible Solutions Ltd. into Flexible Solutions International, Inc., a Nevada corporation. In connection with this merger, we issued 7,000,000 shares of common stock to the former shareholders of Flexible Solutions Ltd. in exchange for all of the outstanding shares of Flexible Solutions Ltd.

In June 2004 we purchased 52 U.S. and 139 International patents, as well as a 56,780 sq. ft. manufacturing plant near Chicago, Illinois from the bankruptcy estate of Donlar Corporation (“Donlar”) for $6.15 million. The IP we acquired from Donlar relates to water-soluble chemicals (“TPAs”) which prevent corrosion and scaling in water pipes used in the petroleum, chemical, utility and mining industries. TPAs are also used to enhance fertilizers and improve crop yields and as additives for household laundry detergents, consumer care products and pesticides. These assets are held in our wholly owned NanoChem Solutions Inc. subsidiary which has become our largest revenue generator.

In October 2018, we purchased 65% of ENP Investments LLC, a manufacturing and distribution company active in the areas of golf, turf and ornamental agriculture products.

In January 2019, we purchased 50% of a profitable limited liability company engaged in international sales of fertilizer additives. This purchase is accounted for as an equity accounted investment.

In 2019, we changed our corporate domicile from Nevada to Alberta, Canada.

In January 2020, ENP Realty, LLC became a wholly owned subsidiary of ENP Investments, LLC and was renamed to ENP Mendota, LLC.

We operate through a number of wholly-owned subsidiaries which are mentioned in Note 1 to the consolidated financial statements included as part of this report. Unless otherwise indicated, all references to our business include the operations of these subsidiaries.

Our website is www.flexiblesolutions.com

Our Products

Thermal Polyaspartates (“TPAs”)

We manufacture TPAs in our Peru, Illinois plant using a thermal polymerizing process. The multiple variants produced are optimized for individual market verticals and sold for end use or through distribution.

TPAs for Oilfields. TPAs are used to reduce scale and corrosion in various “topside” water systems. They are used in place of traditional phosphonate and other products when biodegradability is required by environmental regulations. We have the ability to custom manufacture TPAs depending on the specific water conditions associated with any oil well. TPAs are also used in fracking fluids to reduce the toxicity while maintaining equal function.

TPAs for the Agricultural Industry. TPAs have the ability to reduce fertilizer crystallization before, during and after application and can also delay crystal formation between fertilizer and minerals present in the soil. Once crystallized, fertilizer and soil minerals are not able to provide plant nourishment. As a result, in select conditions the use of TPAs either blended with fertilizer or applied directly to crops can increase yields significantly. TPAs are designated for crop nutrient management programs and should not be confused with crop protection and pesticides or other agricultural chemical applications. Depending on the application, TPA products are marketed under a variety of brands including EX-10TM, AmisorbTM, LYNXTM, MAGNETTM, AmGroTM and VOLTTM. Markets of significance include corn, wheat, soybeans, rice, potatoes, sugar beets, cotton, tomatoes, almonds and other high value per acre crops.

TPAs for Irrigation. The crystallization prevention ability of TPAs can also be useful in select irrigation conditions. By reducing calcium carbonate scale propagation, TPAs can prevent early plugging of drip irrigation ports, reduce maintenance costs and lengthen the life of equipment. TPAs compete with acid type scale removers, but have the advantage of a positive yield effect on the plant, as well as an easier deployment formulation with liquid fertilizers when used as part of a “fertigation” program. Our TPAs for drip irrigation scale prevention are marketed and sold through the same channels as TPAs used by the agricultural industry.

TPAs in Cleaning Products. TPA can replace polyacrylates in cleaning products which is valuable because TPA is biodegradable while polyacrylates are not. In a cleaning product formulation, TPA prevents the re-deposition of dirt onto the surfaces to be cleaned allowing dirt to be rinsed away.

Nitrogen conservation products for agriculture. We manufacture and sell two conservation products and mixtures used for slowing nitrogen loss from fields. One significant loss route for nitrogen fertilizer is enzymatic degradation by bacteria naturally present in soil. Our product, SUN 27TM inhibits the bacterial action and keeps the nitrogen fertilizer available for plant growth. The second significant nitrogen loss mechanism is de-nitrification. This is also caused by bacterial activity in soil resulting in oxygen being stripped from the fertilizer leaving nitrogen gas. The gas can’t be used by the plants and escapes into the atmosphere. Our N Savr 30TM product uses the most effective active ingredients available to combat this cause of fertilizer loss. We sell SUN 27TM and N Savr 30TM through distributors in North and South America under our trade names and under private labels.

HEATSAVR®

Our studies indicate that approximately 70% of the energy lost from a swimming pool occurs through water evaporation. HEATSAVR® is a chemical product for use in swimming pools and spas that forms a thin, transparent layer on the water’s surface. The transparent layer slows the evaporation of water, allowing the water to retain a higher temperature for a longer period of time and thereby reducing the energy required to maintain the desired temperature of the water. We have received reports from our commercial customers documenting energy savings of between $2,400 and $6,000 per year when using HEATSAVR®.

In outdoor pools, the HEATSAVR® also provides convenience compared to pool blankets. It is often inconvenient to use conventional pool blankets since a pool blanket must be removed and stored before the pool can be used. Pool blankets do not provide any energy savings when not on the pool. Conversely, HEATSAVR® eliminates the need to install, remove and store the blanket and works 24 hours a day. In addition, the use of HEATSAVR® in an indoor pool results in even greater energy savings since indoor pool locations use energy not only to heat the pool water, but also to air condition the pool environment. By slowing the transfer of heat and water vapor from the pool to the atmosphere of the pool enclosure, less energy is required to maintain a pool at the desired temperature and there is a reduced load on the air-conditioning system. We also manufacture and sell products which automatically dispense HEATSAVR® into commercial size swimming pools or spas at the rate of one ounce per 400 sq. ft. of water surface per day.

WATERSAVR®

This product utilizes a patented variation of our HEATSAVR technology to reduce water evaporation in reservoirs, potable water storage tanks, livestock watering ponds, aqueducts, canals and irrigation ditches. WATERSAVR may also be used for lawn and turf care and potted and bedding plants.

WATERSAVR® is sold in granulated form and can be applied by hand, by fully automated scheduled metering, or by an automatic dispenser.

Tests have indicated that WATERSAVR®:

- Reduces daily water evaporation as much as 54%;
- Reduces monthly water evaporation as much as 37%;
- Is odorless;
- Has no effect on invertebrates or vertebrates;
- Has no anticipated effect on any current drinking water treatment processes; and
- Is biodegradable.

We have one part-time employee involved in the sales and marketing of WATERSAVR®.

Principal Customers

The table below presents our revenue resulting from purchases by our major customers for the periods presented.

	Year Ended December 31,	
	2021	2020
Company A	$ 1,139,041*	$ 3,142,458
Company B	$ 4,877,690	$ 4,094,622
Company C	$ 7,982,281	$ 7,476,047
Company D	$ 4,057,976	$ 1,528,092*
*not a top three major customer for the year		

Customers with balances greater than 10% of our receivable balances as of each of the fiscal year ends presented are shown in the following table:

	Year Ended December 31,	
	2021	2020
Company B	$ 2,215,119	$ 2,056,631
Company C	$ 2,202,345	1,593,272

Competition

TPAs: Our TPA products have direct competition with Lanxess AG (spun out of Bayer AG) ("Lanxess"), a German manufacturer of TPAs, which uses a patented process different from ours. We have cross-licensed each other's processes and either company can use either process for the term of the patents involved. We believe that Lanxess has approximately the same production capacity and product costs as we do. We believe that we can compete effectively with Lanxess by offering excellent customer service in oilfield sales, superior distributor support in the agricultural marketplace and flexibility due to our relative size. In addition, we intend to continue to seek market niches that are not the primary targets of Lanxess. There are other competitors based in Asia.

Our TPA products face indirect competition from other chemicals in every market in which we are active. For purposes of oilfield scale prevention, phosphonates, phosphates and molibdonates provide the same effect. For crop enhancement, increased fertilizer levels can serve as a substitute for TPAs. In irrigation scale control, acid washes are our prime competitor. Notwithstanding the above, we believe our competitive advantages include:

- Biodegradability compared to competing oil field chemicals;
- Cost-effectiveness for crop enhancement compared to increased fertilizer use; and
- Environmental considerations, ease of formulation and increased crop yield opportunities in irrigation scale markets.

HEATSAVR®: Although we are aware of two other companies that manufacture products that compete with HEATSAVR®, we believe our products are more effective and safer. We maintain fair pricing equal to or lower than our competitors and protect our intellectual property carefully. Our products are expected to maintain market share in the competitive pool market. HEATSAVR® also competes with plastic pool blanket products. However, we believe that HEATSAVR® is more effective and convenient than pool blankets.

WATERSAVR®: WATERSAVR® competes with solid and floating covers. We believe our WATERSAVR® product is superior for the following reasons: it is less expensive, requires little capital expenditure to deploy and can be started and stopped as water scarcity escalates or declines. As water conservation is an important priority throughout the world, numerous researchers are working to develop solutions that may compete with, or be superior to, WATERSAVR.

Manufacturing

Our HEATSAVR® products and dispensers are made from chemicals, plastics and other materials and parts that are readily available from multiple suppliers. We have never experienced any shortage in the availability of raw materials and parts for these products and we do not have any long term supply contracts for any of these items. We have these products made by outside parties without long term contracts.

Our WATERSAVR® products are manufactured by a third party. We are not required to purchase any minimum quantity of this product.

Our 56,780 sq. ft. facility in Peru, Illinois manufactures our TPA products. Raw materials for TPA production are sourced from various manufacturers throughout the world and we believe they are available in sufficient quantities for any increase in sales. Raw materials are, however, derived from crude oil and are subject to price fluctuations related to world oil prices.

In January 2020, ENP Investments, LLC acquired a 100% interest in ENP Realty, LLC and the 14,000 sq. ft manufacturing facility in Mendota, Illinois owned by this entity.

Government Regulations

TPAs: In the industrial oil field and agricultural markets, we have received government approval for all TPAs currently sold.

Nitrogen conservation product: We have obtained all government approvals for the markets in which we sell these products.

HEATSAVR®: Chemical products for use in swimming pools are covered by a variety of governmental regulations in all countries where we sell these products. These regulations cover packaging, labeling, and product safety. We believe our products are in compliance with these regulations.

WATERSAVR®: Our WATERSAVR® product is subject to regulation in most countries, particularly for agricultural and drinking water uses. We do not anticipate that governmental regulations will be an impediment to marketing WATERSAVR® because the components in WATERSAVR® have historically been used in agriculture for many years for other purposes. Nevertheless, we may require county or state approval on a case by case basis to sell WATERSAVR® in the United States for agricultural and drinking water uses. We have received National Sanitation Foundation approval for the use of WATERSAVR® in drinking water in the United States.

Proprietary Rights

Our success is dependent, in part, upon our proprietary technology. We rely on a combination of patent, copyright, trademarks, trade secrets and nondisclosure agreements to protect our proprietary technology. We hold several US patents with various expiry dates. We have applied for additional patents in new areas of invention and may extend these patents, if granted to other jurisdictions. There can be no assurance that our patent applications will be granted or that any issued patent will be upheld as valid or prevent the development of competitive products, which may be equivalent to or superior to our products. We have not received any claims alleging infringement of the intellectual property rights of others, but there can be no assurance that we may not be subject to such claims in the future.

Research and Development

We spent $116,411 during the year ended December 31, 2021 and $81,422 during year ended December 31, 2020 on research and development. This work relates primarily to the development of our water and energy conservation products, as well as new research in connection with our TPA products.

Employees

As of December 31, 2021, we had 39 employees, including one officer, 13 sales and customer support personnel, and 25 manufacturing personnel. None of our employees is represented by a labor union and we have not experienced any work stoppages to date.

Item 1A. Risk Factors

This Form 10-K contains forward-looking information based on our current expectations. Because our actual results may differ materially from any forward-looking statements made by us, this section includes a discussion of important factors that could affect our future operations and result in a decline in the market price of our common stock.

We have in the past incurred significant operating losses and may not sustain profitability in the future.

We have in the past experienced operating losses and negative cash flow from operations. If our revenues decline, our results of operations and liquidity may be materially and adversely affected. If we experience slower than anticipated revenue growth or if our operating expenses exceed our expectations, we may not be profitable. We may not remain profitable in future periods.

Fluctuations in our operating results may cause our stock price to decline.

Given the nature of the markets in which we operate, we cannot reliably predict future revenues and profitability. Changes in competitive, market and economic conditions may cause us to adjust our operations. A high proportion of our costs are fixed, due in part to our sales, research and development and manufacturing costs. Thus, small declines in revenue could disproportionately affect our operating results. Factors that may affect our operating results and the market price of our common stock include:

- demand for and market acceptance of our products;
- competitive pressures resulting in lower selling prices;
- adverse changes in the level of economic activity in regions in which we do business;
- adverse changes in the oil and gas industry on which we are particularly dependent;

- changes in the portions of our revenue represented by various products and customers;
- delays or problems in the introduction of new products;
- the announcement or introduction of new products, services or technological innovations by our competitors;
- variations in our product mix;
- the timing and amount of our expenditures in anticipation of future sales;
- increased costs of raw materials or supplies;
- changes in the volume or timing of product orders; and
- availability of raw material in a timely manner in periods of disruption such as, but not limited to, COVID-19.

Our operations are subject to seasonal fluctuation.

Our TPA business is the least seasonal, however there is a small increase in the spring related to inventory building for the crop season in the United States and a small slowdown in December as oilfield customers run down stock in advance of year end, but otherwise, there is little seasonal variation. We believe we are able to adequately respond to these seasonal fluctuations by reducing or increasing production as needed. The foregoing is equally true of our nitrogen conservation products. The use of our swimming pool products increases in summer months in most markets and results in our sales from January to June being greater than in July through December. Markets for our WATERSAVR® product are also seasonal, depending on the wet versus dry seasons in particular countries. We attempt to sell into a variety of countries with different seasons on both sides of the equator in order to minimize seasonality.

Interruptions in our ability to purchase raw materials and components may adversely affect our profitability.

We purchase certain raw materials and components from third parties pursuant to purchase orders placed from time to time. Because we do not have guaranteed long-term supply arrangements with our suppliers, any material interruption in our ability to purchase necessary raw materials or components could have a material adverse effect on our business, financial condition and results of operations.

Our WATERSAVR® product has not proven to be a revenue producing product and we may never recoup the cost associated with its development.

The marketing efforts of our WATERSAVR® product may result in continued losses. We introduced our WATERSAVR® product in June 2002 and, to date, we have delivered quantities for testing by potential customers, but only a few customers have ordered the product for commercial use. This product can achieve success only if it is ordered in substantial quantities by commercial customers who have determined that the water saving benefits of the product exceed the costs of purchase and deployment of the product. We can offer no assurance that we will receive sufficient orders of this product to achieve profits or cover the expenses incurred to manufacture and market this product. We have received National Sanitation Foundation approval for the use of WATERSAVR® in drinking water in the United States. Nevertheless, we may require county or state approval on a case by case basis. We expect to spend $50,000 on the marketing and production of our WATERSAVR® product in fiscal 2022.

If we do not introduce new products in a timely manner, our products could become obsolete and our operating results would suffer.

Without the timely introduction of new products and enhancements, our products could become obsolete over time, in which case our revenue and operating results would suffer. The success of our new product offerings will depend upon several factors, including our ability to:

- accurately anticipate customer needs;
- innovate and develop new products and applications;
- successfully commercialize new products in a timely manner;
- price our products competitively and manufacture and deliver our products in sufficient volumes and on time; and
- differentiate our products from our competitors' products.

In developing any new product, we may be required to make a substantial investment before we can determine the commercial viability of the new product. If we fail to accurately foresee our customers' needs and future activities, we may invest heavily in research and development of products that do not lead to significant revenues.

We are dependent upon certain customers.

Among our current customers, we have identified three that are sizable enough that the loss of any one would be significant. Any loss of one or more of these customers could result in a substantial reduction in our revenues. See "Principal Customers" for further details.

Economic, political and other risks associated with international sales and operations could adversely affect our sales.

Revenues from shipments made outside of the United States accounted for approximately 20% of our revenues in the year ended December 31, 2021, 32% in the year ended December 31, 2020 and 45% in the year ended December 31, 2019. Since we sell our products worldwide, our business is subject to risks associated with doing business internationally. We anticipate that revenues from international operations will continue to represent a sizable portion of our total revenue. Accordingly, our future results could be harmed by a variety of factors, including:

- changes in foreign currency exchange rates;
- changes in a country's or region's political or economic conditions, particularly in developing or emerging markets;
- longer payment cycles of foreign customers and difficulty of collecting receivables in foreign jurisdictions;
- trade protection measures and import or export licensing requirements;
- differing tax laws and changes in those laws;
- difficulty in staffing and managing widespread operations;
- differing laws regarding protection of intellectual property;
- differing regulatory requirements and changes in those requirements; and
- impact of the COVID-19 virus.

We are subject to credit risk and may be subject to substantial write-offs if one or more of our significant customers default on their payment obligations to us.

We currently allow our major customers between 30 and 90 days to pay for each sale. This practice, while customary, presents an accounts receivable write-off risk if one or more of our significant customers defaulted on their payment obligations to us. Any such write-off, if substantial, would have a material adverse effect on our business and results of operations.

Our products can be hazardous if not handled, stored and used properly; litigation related to the handling, storage and safety of our products would have a material adverse effect on our business and results of operations.

Some of our products are flammable and must be stored properly to avoid fire risk. Additionally, some of our products may cause irritation to a person's eyes if they are exposed to the concentrated product. Although we label our products to warn of such risks, our sales could be reduced if our products were considered dangerous to use or if they are implicated in causing personal injury or property damage. We are not currently aware of any circumstances in which our products have caused harm or property damage to consumers. Nevertheless, litigation regarding the handling, storage and safety of our products would have a material adverse effect on our business and results of operations.

Our failure to comply with environmental regulations may create significant environmental liabilities and force us to modify our manufacturing processes.

We are subject to various federal, state and local environmental laws, ordinances and regulations relating to the use, storage, handling and disposal of chemicals. Under such laws, we may become liable for the costs of removal or remediation of these substances that have been used by our consumers or in our operations. Such laws may impose liability without regard to whether we knew of, or caused, the release of such substances. Any failure by us to comply with present or future regulations could subject us to substantial fines, suspension of production, alteration of manufacturing processes or cessation of operations, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our failure to protect our intellectual property could impair our competitive position.

While we own certain patents and trademarks, some aspects of our business cannot be protected by patents or trademarks. Accordingly, in these areas there are few legal barriers that prevent potential competitors from copying certain of our products, processes and technologies or from otherwise entering into operations in direct competition with us. In particular, we have been informed that our former exclusive agent for the sale of our products in North America is now competing with us in the swimming pool and personal spa markets. As a former distributor, they were given access to many of our sales, marketing and manufacturing techniques.

Our products may infringe on the intellectual property rights of others, and resulting claims against us could be costly and prevent us from making or selling certain products.

Third parties may seek to claim that our products and operations infringe on their patents or other intellectual property rights. We may incur significant expense in any legal proceedings to protect our proprietary rights or to defend infringement claims by third parties. In addition, claims of third parties against us could result in awards of substantial damages or court orders that could effectively prevent us from making, using or selling our products in the United States or internationally.

A product liability claim for damages could materially and adversely affect our financial condition and results of operations.

Our business exposes us to potential product liability risks. There are many factors beyond our control that could lead to liability claims, including the failure of our products to work properly and the chance that consumers will use our products incorrectly or for purposes for which they were not intended. There can be no assurance that the amount of product liability insurance that we carry will be sufficient to protect us from product liability claims. A product liability claim in excess of the amount of insurance we carry could have a material adverse effect on our business, financial condition and results of operations.

Our ongoing success is dependent upon the continued availability of certain key employees.

Our business would be adversely affected if the services of Daniel B. O'Brien ceased to be available to us since we currently do not have any other employee with an equivalent level of expertise in and knowledge of our industry. If Mr. O'Brien no longer served as our President and Chief Executive Officer, we would have to recruit one or more new executives, with no real assurance that we would be able to engage a replacement executive with the required skills on satisfactory terms. The market for skilled employees is highly competitive, especially for employees in the fields in which we operate. While our compensation programs are intended to attract and retain qualified employees, there can be no assurance that we will be able to retain the services of all our key employees or a sufficient number to execute our plans, nor can there be any assurances that we will be able to continue to attract new employees as required.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

We lease a 6,400 sq. ft. facility in Naperville, Illinois which we use for offices and laboratories at a cost of $5,670 per month with a lease effective to December 2025 and 61,200 sq. ft. of warehouse space in Peru, Illinois used for storage and extra capacity at a cost of $27,000 per month currently on a month-to-month lease. We also lease a 1,300 sq. ft. facility in Mendota, Illinois used for offices at a cost of $880 per month with a lease effective to September 2023.We own a 56,780 sq. ft. facility in Peru, Illinois and a 14,000 sq. ft facility in Mendota, Illinois which is used to manufacture our TPA line of products. In 2017, we purchased a 3,000 sq ft building on 1 acre of land in Taber, Alberta.

The 3.3 acres of cleared and undeveloped land in Taber, AB Canada was disposed of for the proceeds of $263,380 ($333,899CAD). With a cost of $219,318 ($278,040CAD) the Company recognized a gain of $44,330 ($55,859CAD) on the disposal

Item 3. Legal Proceedings.

None.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities.

Our common stock is traded on the NYSE American under the symbol "FSI". The following is the range of high and low closing prices for our common stock for the periods indicated:

	High	Low
Year Ended December 31, 2021		
First Quarter	$ 4.45	$ 2.48
Second Quarter	4.08	2.97
Third Quarter	4.33	3.31
Fourth Quarter	4.00	3.29

	High	Low
Year Ended December 31, 2020		
First Quarter	$ 2.57	$ 1.06
Second Quarter	2.19	1.06
Third Quarter	2.93	1.87
Fourth Quarter	2.92	2.05

As of March 28, 2022, we had approximately 2,300 shareholders.

Our common stock also trades on the Frankfurt stock exchange under the symbol "FXT."

The Company declared a special dividend of $0.05 per share on February 25, 2019, paid on March 15, 2019 to shareholders of record on March 6, 2019. On March 12, 2019 the Company announced an annual dividend of $0.15 per share to be paid in two tranches. Shareholders of record on March 31, 2019 were paid $0.075 on April 15, 2019 and shareholders of record on October 1, 2019 were paid the same amount on October 15, 2019. On March 18, 2020, the Company suspended the dividend until further notice due to the uncertainty surrounding the COVID-19 virus.

None of our officers or directors, nor any of our principal shareholders purchased, on our behalf, any shares of our common stock from third parties either in a private transaction or as a result of purchases in the open market during the years ended December 31, 2021 and 2020

As of March 28, 2022, we had 12,375,746 outstanding shares of common stock. The following table lists additional shares of our common stock, including shares issuable upon the exercise of options which have not yet vested, which may be issued as of March 28, 2022:

	Number Of Shares	Note Reference
Shares issuable upon exercise of options granted to our officers, directors, employees, consultants, and third parties	771,000	A

A. Options are exercisable at prices ranging from $1.42 to $4.13 per share. See Item 11 of this report for more information concerning these options.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Results of Operations

We have three product lines.

The first is a chemical ("EWCP") used in swimming pools and spas. The product forms a thin, transparent layer on the water's surface. The transparent layer slows the evaporation of water, allowing the water to retain a higher temperature for a longer period of time thereby reducing the energy required to maintain the desired temperature of the water. A modified version of EWCP can also be used in reservoirs, potable water storage tanks, livestock watering pods, canals, and irrigation ditches for the purpose of reducing evaporation.

The second product, biodegradable polymers ("TPAs"), is used by the petroleum, chemical, utility and mining industries to prevent corrosion and scaling in water piping. TPAs can also be used to increase biodegradability in detergents and in the agriculture industry to increase crop yields by enhancing fertilizer uptake.

The third product line is nitrogen conservation products for the agriculture industry. These products decrease the loss of nitrogen fertilizer after application to the field and allow less fertilizer to be used. These products are considered TPA products and are made and sold by our TPA division.

Material changes in the line items in our Statement of Income and Comprehensive Income for the year ended December 31, 2021 as compared to the same period last year, are discussed below:

Item	Increase (I) or Decrease (D)	Reason
Sales		
EWCP products	I	Increase in customer orders.
TPA products	I	Growth in most product lines.
Wages	I	Increased wages to retain employees.
Lease expense	D	The purchase of ENP Realty by ENP Investments reduced lease expense.
Interest expense	D	Decreased debt resulted in decreased interest expense.
Commissions	D	One time commission for historic sales in 2020 did not reoccur in 2021.
Currency exchange	I	Currency exchange increased as a result of the movements in the US/Canadian dollar exchange rate and its effects on US dollar cash balances and US dollar payables held by the Company's' Canadian subsidiaries.
Gain on investments	D	Florida LLC that the Company invested in had higher costs and lower net income in 2021.

The factors that will most significantly affect future operating results will be:

- the sale price of crude oil which is used in the manufacture of aspartic acid we import from China. Aspartic acid is a key ingredient in our TPA product. If tariffs are maintained or expanded and if relief is not available, some customers may experience price increases;
- activity in the oil and gas industry, as we sell our TPA product to oil and gas companies;
- drought conditions, since we also sell our TPA product to farmers; and
- the impact of COVID-19 virus.

Other than the foregoing we do not know of any trends, events or uncertainties that have had, or are reasonably expected to have, a material impact on our revenues or expenses.

Capital Resources and Liquidity

Our sources and (uses) of cash for the years ended December 31, 2021 and 2020 are shown below:

	2021	2020
Cash provided by operations	$ 4,535,746	$ 5,705,441
Recovery of long term deposits	-	22,090
Purchase of investments	(500,000)	(3,152,025)
Distributions from equity investments	359,300	972,295
Acquisition of ENP Realty, LLC	-	13,419
Sale of property and equipment	263,380	9,490
Purchases of property, equipment and leaseholds	(782,219)	(1,080,598)
Advances (repayments) of short term line of credit	184,746	(273,909)
Repayment of long term debt	(943,080)	(4,395,915)
Proceeds of long term debt	-	3,413,160
Lease payments	(287,903)	(385,541)
Payment on convertible note	-	(500,000)
Distributions to non-controlling interests	(804,003)	(594,882)
Sale of common stock	140,440	39,750
Changes in exchange rates	96,391	45,331

We have sufficient cash resources to meets our future commitments and cash flow requirements for the coming year. As of December 31, 2021, our working capital was $13,986,013 (2020 - $11,146,211) and we have no substantial commitments or capital requirements that require significant outlays of cash over the coming fiscal year.

We are committed to minimum rental payments for property and premises aggregating approximately $297,720 over the term of two leases, the last expiring on December 31, 2025.

Commitments for rent in the next four years are as follows:

2022	$	78,240
2023	$	77,100
2024	$	70,440
2025	$	71,940

Other than as disclosed above, we do not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonable likely to result in, our liquidity increasing or decreasing in any material way.

Other than as disclosed above, we do not know of any significant changes in our expected sources and uses of cash.

We do not have any commitments or arrangements from any person to provide us with any equity capital.

Critical Accounting Policies And Estimates

Allowances for Product Returns. We grant certain of our customers the right to return product which they are unable to sell. Upon sale, we evaluate the need to record a provision for product returns based on our historical experience, economic trends and changes in customer demand.

Allowances for Doubtful Accounts Receivable. We evaluate our accounts receivable to determine if they will ultimately be collected. This evaluation includes significant judgments and estimates, including an analysis of receivables aging and a review of large accounts. If, for example, the financial condition of a customer deteriorates resulting in an impairment of its ability to pay or a pattern of late payment develops, an allowance may be required.

Provisions for Inventory Obsolescence. We may need to record a provision for estimated obsolescence and shrinkage of inventory. Our estimates would consider the cost of inventory, the estimated market value, the shelf life of the inventory and our historical experience. If there are changes to these estimates, provisions for inventory obsolescence may be necessary.

Valuation of Goodwill and Intangible Assets. We consider goodwill and intangible assets to determine if there are qualitative factors which exist which may indicate that the carrying value exceeds the fair value. Our estimates are based upon an assessment of market conditions and expected future cash flows to be generated by the reporting units and related assets. If factors exist which indicate that the carrying value exceeds the fair value, an impairment charge against the goodwill and intangible assets could be required.

Useful lives of Property, Equipment and Leaseholds and Intangible Assets. We amortize and depreciate our property, equipment and leaseholds and intangible assets based on their estimated useful lives. We estimate the expected useful lives based on the expected term over which the asset is expected to continue to generate economic benefit for our company. If there are differences between the expected useful lives and the actual useful lives of the asset, impairment of property, equipment and leaseholds or intangible assets could be necessary.

Revenue Recognition. We follow a five-step model for revenue recognition. The five steps are: (1) identification of the contract(s) with the customer, (2) identification of the performance obligation(s) in the contract(s), (3) determination of the transaction price, (4) allocation of the transaction price to the performance obligation, and (5) recognition of revenue when (or as) the performance obligation is satisfied. We fulfill our performance obligations when control of product transfers to the customer, which is generally at the time the product is shipped since risk of loss is transferred to the purchaser upon delivery to the carrier. For shipments which are F.O.B. shipping point, we have elected to account for shipping and handling activities as a fulfillment cost rather than as an additional promised service and performance obligation.

See Note 2 to the consolidated financial statements included as part of this report for a description of our significant accounting policies.

Recent Accounting Pronouncements

We have evaluated recent accounting pronouncements issued since January 1, 2021 and determined that the adoption of these recent accounting pronouncements will not have a material effect on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

FLEXIBLE SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Flexible Solutions International, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Flexible Solutions International, Inc. and subsidiaries (the "Company") which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income and comprehensive income, cash flows and stockholders' equity for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and the consolidated results of its operations and its consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of this critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of inventory

At December 31, 2021, the Company's inventory balance was $9,502,005. As discussed in Note 2 to the consolidated financial statements, the Company records inventory at the lower of cost on a first-in, first-out or weighted average basis and net realizable value. To determine inventory valuation, management conducts regular reviews of overhead costs and the calculation to allocate these expenditures to inventory cost.

We identified the assessment of valuation of inventory as a critical audit matter. Auditing management's inventory valuation involved significant judgment because the estimates are based on several factors. In particular, in estimating inventory cost inputs, management developed assumptions such as the allocation of overhead expenditures to inventory cost.

The following are the primary procedures we performed to address this critical audit matter. We obtained an understanding and reviewed the appropriateness over the Company's costing of inventory. We performed substantive procedures over the inputs of costing of inventory, including overhead allocation by agreeing inputs to third party source documentation. We tested management's allocation of overhead costs between inventory products by assessing the appropriateness of the allocation method and recalculated the formula used to determine computational accuracy. We performed analytical procedures to obtain an understanding of the impact of economic conditions and market competition. We compared the inventory on hand to related unit sales to assess the net realizable value of inventory and held discussions with management and operational personnel to help identify any slow-moving obsolete inventory.

Chartered Professional Accountants

Vancouver, Canada
March 29, 2022

We have served as the Company's auditor since 2019.

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
Consolidated Balance Sheets
As at December 31
(U.S. Dollars)

		2021		2020
Assets				
Current				
Cash	$	5,710,227	$	3,472,776
Term deposits		1,025,347		1,000,000
Accounts receivable (Note 4)		7,129,329		5,889,813
Inventories (Note 5)		9,502,005		8,372,476
Prepaid expenses		442,161		302,447
Total current assets		23,809,069		19,037,512
Property, equipment and leaseholds, net (Note 6)		4,931,713		5,142,041
Patents (Note 7)		13,699		30,137
Right of use assets (Note 3)		217,267		483,113
Intangible assets (Note 8)		2,600,000		2,776,000
Long term deposits (Note 9)		8,540		8,540
Investments (Note 10)		5,424,010		4,776,167
Goodwill (Note 8)		2,534,275		2,534,275
Deferred tax asset (Note 14)		12,697		299,603
Total Assets	$	39,551,270	$	35,087,388
Liabilities				
Current				
Accounts payable	$	1,283,486	$	558,105
Accrued liabilities		457,062		1,225,804
Deferred revenue		349,004		314,277
Income taxes payable		4,561,396		2,540,348
Short term line of credit (Note 11)		2,300,819		2,116,073
Current portion of lease liability (Note 3)		77,715		287,900
Current portion of long term debt (Note 12)		793,574		848,794
Total current liabilities		9,823,056		7,891,301
Lease liability (Note 3)		139,552		195,213
Deferred income tax liability (Note 14)		310,162		233,751
Long term debt (Note 12)		1,573,024		2,998,844
Total Liabilities		11,845,794		11,319,109
Stockholders' Equity				
Capital stock (Note 17)				
Authorized: 50,000,000 common shares with a par value of $0.001 each; 1,000,000 preferred shares with a par value of $0.01 each				
Issued and outstanding:				
12,355,246 (2020: 12,260,545) common shares		12,355		12,261
Capital in excess of par value		16,983,648		16,633,190
Other comprehensive loss		(775,730)		(872,121)
Accumulated earnings		8,882,360		5,433,198
Total stockholders' equity – controlling interest		25,102,633		21,206,528
Non-controlling interests (Note 18)		2,602,843		2,561,751
Total Stockholders' Equity		27,705,476		23,768,279
Total Liabilities and Stockholders' Equity	$	39,551,270	$	35,087,388

Subsequent events (See Note 20)

See Notes to Consolidated Financial Statements.

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
Consolidated Statements of Income and Comprehensive Income
For the Years Ended December 31
(U.S. Dollars)

	2021	2020
Sales	$ 34,416,335	$ 31,407,454
Cost of sales (Note 6, 7 & 8)	23,019,824	21,641,035
Gross profit	11,396,511	9,766,419
Operating Expenses		
Wages	2,321,285	2,169,825
Administrative salaries and benefits	883,460	804,272
Insurance	581,187	479,218
Lease expense	382,663	453,639
Consulting	320,759	277,277
Professional fees	285,424	283,842
Office and miscellaneous	269,459	250,330
Interest expense	199,930	260,657
Advertising and promotion	172,185	197,196
Research	116,411	81,422
Travel	107,894	95,053
Investor relations and transfer agent fee	94,256	78,930
Commissions	62,632	148,922
Telecommunications	45,482	43,535
Currency exchange	25,091	(6,890)
Utilities	21,523	17,651
Shipping	16,567	12,839
Bad debt expense	6,979	1,016
Total operating expenses	5,913,187	5,648,734
Operating income	5,483,324	4,117,685
Gain on sale of equipment (Note 6)	-	9,490
Gain on sale of land (Note 6)	44,330	-
PPP loan forgiveness (Note 12)	537,960	-
Gain on investments (Note 10)	507,143	877,358
Gain on acquisition of ENP Realty (Note 10)	-	133,341
Interest income	77,999	53,101
Income before income tax	6,650,756	5,190,975
Income taxes (Note 14)		
Deferred income tax expense	(363,317)	(409,553)
Current income tax expense	(1,993,182)	(1,197,888)
Net income for the year	4,294,257	3,583,534
Net income attributable to non-controlling interests	(845,095)	(606,484)
Net income attributable to controlling interest	$ 3,449,162	$ 2,977,050
Income per share (basic and diluted) (Note 15)	$ 0.28	$ 0.24
Weighted average number of common shares (basic)	12,316,254	12,240,641
Weighted average number of common shares (diluted)	12,505,522	12,302,552
Other comprehensive income:		
Net income	$ 4,294,257	$ 3,583,534
Unrealized gain on foreign currency transactions	96,391	122,489
Total comprehensive income	4,390,648	3,706,023
Comprehensive income – non-controlling interest	(845,095)	(606,484)
Comprehensive income attributable to controlling interests	$ 3,545,553	$ 3,099,539

See Notes to Consolidated Financial Statements.

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
Consolidated Statements of Cash Flows
For Years Ended December 31
(U.S. Dollars)

	2021	2020
Operating activities		
Net income for the year	$ 4,294,257	$ 3,583,534
Adjustments to reconcile net income to net cash:		
Stock based compensation	210,112	156,012
Depreciation and amortization	965,935	851,672
Lease right of use financing	22,057	53,768
Lease right of use amortization	265,846	331,773
Gain on investments	(507,143)	(877,358)
Bad debt expense	6,979	1,016
Deferred income tax expense (recovery)	363,317	409,553
Gain on sale of equipment	-	(9,490)
Gain on sale of land	(44,330)	
PPP loan forgiveness	(537,960)	-
Changes in non-cash working capital items:		
Increase in accounts receivable	(1,246,495)	(1,420,614)
(Increase) decrease in inventories	(1,275,746)	1,284,607
Increase in prepaid expenses	(139,714)	(83,809)
Increase in accounts payable and accrued liabilities	102,856	553,478
Increase in taxes payable	2,021,048	770,243
Increase in deferred revenue	34,727	101,056
Cash provided by operating activities	4,535,746	5,705,441
Investing activities		
Return of long term deposits	-	22,090
Purchase of investments	(500,000)	(3,152,025)
Proceeds of equity investment distributions	359,300	972,295
Acquisition of ENP Realty LLC	-	13,419
Sale of property and equipment	263,380	9,490
Purchase of property and equipment	(782,219)	(1,080,598)
Cash used in investing activities	(659,539)	(3,215,329)
Financing activities		
Advance (repayment) of short term line of credit	184,746	(273,909)
Repayment of long term debt	(943,080)	(4,395,915)
Proceeds of long term debt	-	3,413,160
Lease payments	(287,903)	(385,541)
Repayment of convertible note	-	(500,000)
Distribution to non-controlling interest	(804,003)	(594,882)
Sale of common stock	140,440	39,750
Cash used in financing activities	(1,709,800)	(2,697,337)
Effect of exchange rate changes on cash	96,391	45,331
Inflow (outflow) of cash	2,262,798	(161,894)
Cash resources, beginning	4,472,776	4,634,670
Cash resources, ending	$ 6,735,574	$ 4,472,776
Cash resources are comprised of:		
Cash and cash equivalents	$ 5,710,227	$ 3,472,776
Term deposits	1,025,347	1,000,000
	$ 6,735,574	$ 4,472,776
Supplemental disclosure of cash flow information:		
Income taxes paid	$ -	$ 464,026
Interest paid	179,029	260,657
Inventory additions in accounts payable and accrued liabilities	250,923	397,140

See Notes to Consolidated Financial Statements.

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2021 and 2020
(U.S. Dollars)

	Shares	Par Value	Capital in Excess of Par Value	Accumulated Earnings	Other Comprehensive Income	Total	Non-Controlling Interests	Total Stockholders' Equity
Balance December 31, 2019	**12,215,545**	**$ 12,216**	**$16,437,473**	**$ 2,456,148**	**$ (994,610)**	**$17,911,227**	**$ 2,550,149**	**$ 20,461,376**
Translation adjustment	—	—	—	—	122,489	122,489	—	122,489
Net income	—	—	—	2,977,050	—	2,977,050	606,484	3,583,534
Common stock issued	45,000	45	39,705	—	—	39,750	—	39,750
Distributions to noncontrolling interests	—	—	—	—	—	—	(594,882)	(594,882)
Stock-based compensation	—	—	156,012	—	—	156,012	—	156,012
Balance December 31, 2020	**12,260,545**	**$ 12,261**	**$16,633,190**	**$ 5,433,198**	**$ (872,121)**	**$21,206,528**	**$ 2,561,751**	**$ 23,768,279**
Translation adjustment	—	—	—	—	96,391	96,391	—	96,391
Net income	—	—	—	3,449,162	—	3,449,162	845,095	4,294,257
Common stock issued	94,701	94	140,346	—	—	140,440	—	140,440
Distributions to noncontrolling interests	—	—	—	—	—	—	(804,003)	(804,003)
Stock-based compensation	—	—	210,112	—	—	210,112	—	210,112
Balance December 31, 2021	**12,355,246**	**$ 12,355**	**$16,983,648**	**$ 8,882,360**	**$ (775,730)**	**$25,102,633**	**$ 2,602,843**	**$ 27,705,476**

See Notes to Consolidated Financial Statements.

1. Basis of Presentation.

These consolidated financial statements include the accounts of Flexible Solutions International, Inc. (the “Company”), its wholly-owned subsidiaries Flexible Fermentation Ltd. , NanoChem Solutions Inc. (“NanoChem”), Flexible Solutions Ltd., Flexible Biomass LP, FS Biomass Inc., NCS Deferred Corp., Natural Chem SEZC Ltd., and InnFlex Holdings Inc. and its 65% interest in ENP Investments, LLC (“ENP Investments”) and ENP Mendota, LLC (“ENP Mendota”). All inter-company balances and transactions have been eliminated upon consolidation. The Company was incorporated on May 12, 1998 in the State of Nevada and had no operations until June 30, 1998. In 2019, the Company redomiciled into Alberta, Canada.

In 2018, NanoChem completed the purchase of a 65% interest in ENP Investments for an aggregate purchase price of $5,110,560. An unrelated party owns the remaining 35% interest in ENP Investments, and ENP Investments is consolidated into the financial statements. The outside investor’s ownership interest in ENP Investments is included in noncontrolling interests in these consolidated financial statements from the acquisition date onward. In 2020, ENP Investments increased its investment in ENP Realty from 24% to 100%, making ENP Realty a wholly-owned subsidiary of ENP Investments. In 2021, ENP Realty was renamed ENP Mendota and is consolidated into the financial statements.

The Company and its subsidiaries develop, manufacture and market specialty chemicals which slow the evaporation of water. One product, HEATSAVR®, is marketed for use in swimming pools and spas where its use, by slowing the evaporation of water, allows the water to retain a higher temperature for a longer period of time and thereby reduces the energy required to maintain the desired temperature of the water in the pool. Another product, WATERSAVR®, is marketed for water conservation in irrigation canals, aquaculture, and reservoirs where its use slows water loss due to evaporation. In addition to the water conservation products, the Company also manufactures and markets water-soluble chemicals utilizing thermal polyaspartate biopolymers (hereinafter referred to as “TPAs”), which are beta-proteins manufactured from the common biological amino acid, L-aspartic. TPAs can be formulated to prevent corrosion and scaling in water piping within the petroleum, chemical, utility and mining industries. TPAs are also used as proteins to enhance fertilizers in improving crop yields and can be used as additives for household laundry detergents, consumer care products and pesticides. The TPA division also manufactures two nitrogen conservation products for agriculture that slows nitrogen loss from fields.

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may also cause staff shortages, reduced customer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.

2. SIGNIFICANT ACCOUNTING POLICIES.

These consolidated financial statements have been prepared on a historical cost basis, except where otherwise noted, in accordance with accounting principles generally accepted in the United States applicable to a going concern and reflect the policies outlined below.

(a) *Cash and Cash Equivalents*

The Company considers all highly liquid investments purchased with an original or remaining maturity of less than three months at the date of purchase to be cash equivalents. Cash and cash equivalents are maintained with several financial institutions.

(b) *Inventories and Cost of Sales*

The Company has three major classes of inventory: completed goods, work in progress and raw materials and supplies. In all classes, inventories are stated at the lower of cost and net realizable value. The Company applies the first-in, first-out or weighted average cost formulae to inventories in different subsidiaries. Cost of sales includes all expenditures incurred in bringing the goods to the point of sale. Inventory costs and costs of sales include direct costs of the raw material, inbound freight charges, warehousing costs, handling costs (receiving and purchasing) and utilities and overhead expenses related to the Company's manufacturing and processing facilities. Shipping and handling charges billed to customers are included in revenue (2021 - $465,493; 2020 – $427,920). Shipping and handling costs incurred are included in cost of goods sold (2021 - $1,058,674; 2020 – $1,051,588).

(c) *Allowance for Doubtful Accounts*

The Company provides an allowance for doubtful accounts when management estimates collectability to be uncertain. Accounts receivable are continually reviewed to determine which, if any, accounts are doubtful of collection. In making the determination of the appropriate allowance amount, the Company considers current economic and industry conditions, relationships with each significant customer, overall customer credit-worthiness and historical experience.

(d) *Property, Equipment, Leaseholds and Intangible Assets*

The following assets are recorded at cost and depreciated using the methods and annual rates shown below:

Computer hardware	30% Declining balance
Furniture and fixtures	20% Declining balance
Manufacturing equipment	20% Declining balance
Office equipment	20% Declining balance
Boat	20% Declining balance
Building and improvements	10% Declining balance
Trailer	30% Declining balance
Automobiles	Straight-line over 5 years
Patents	Straight-line over 17 years
Technology	Straight-line over 10 years
Leasehold improvements	Straight-line over lease term
Customer relationships – ENP Investments	Straight-line over 15 years
Software – ENP Investments	Straight-line over 3 years

e) *Impairment of Long-Lived Assets*

In accordance with FASB Codification Topic 360, *"Property, Plant and Equipment"* (ASC 360), the Company reviews long-lived assets, including, but not limited to, property, equipment and leaseholds, patents and other assets, for impairment annually or whenever events or changes in circumstances indicate the carrying amounts of assets may not be recoverable. The carrying value of long-lived assets is assessed for impairment by evaluating operating performance and future undiscounted cash flows of the underlying assets. If the expected future cash flows of an asset is less than its carrying value, an impairment measurement is indicated. Impairment charges are recorded to the extent that an asset's carrying value exceeds its fair value. Accordingly, actual results could vary significantly from such estimates. There were no impairment charges during the periods presented.

(f) *Foreign Currency*

The functional currency of the Company is the U.S. dollar. The functional currency of three of the Company's subsidiaries is the Canadian dollar. The translation of the Canadian dollar to the reporting currency of the Company, the U.S. dollar, is performed for assets and liabilities using exchange rates in effect at the balance sheet date. Revenue and expense transactions are translated using average exchange rates prevailing during the year. Translation adjustments arising on conversion of the Company's financial statements from the subsidiary's functional currency, Canadian dollars, into the reporting currency, U.S. dollars, are excluded from the determination of income (loss) and are disclosed as other comprehensive income in the consolidated statements of income and comprehensive income.

Foreign exchange gains and losses relating to transactions not denominated in the applicable local currency are included in operating income (loss) if realized during the year and in comprehensive income (loss) if they remain unrealized at the end of the year.

(g) *Revenue Recognition*

The Company generates revenue primarily from energy and water conservation products and biodegradable polymers, as further discussed in Note 19.

The Company follows a five-step model for revenue recognition. The five steps are: (1) identification of the contract(s) with the customer, (2) identification of the performance obligation(s) in the contract(s), (3) determination of the transaction price, (4) allocation of the transaction price to the performance obligation, and (5) recognition of revenue when (or as) the performance obligation is satisfied. The Company has fulfilled its performance obligations when control transfers to the customer, which is generally at the time the product is shipped since risk of loss is transferred to the purchaser upon delivery to the carrier. For shipments which are F.O.B. shipping point, the Company has elected to account for shipping and handling activities as a fulfillment cost rather than as an additional promised service and performance obligation.

Since the Company's inception, product returns have been insignificant; therefore, no provision has been established for estimated product returns.

Deferred revenues consist of products sold to distributors with payment terms greater than the Company's customary business terms due to lack of credit history or operating in a new market in which the Company has no prior experience. The Company defers the recognition of revenue until the criteria for revenue recognition has been met and payments become due or cash is received from these distributors.

(h) *Stock Issued in Exchange for Services*

The Company's common stock issued in exchange for services is valued at estimated fair market value based upon trading prices of the Company's common stock on the dates of the stock transactions. The corresponding expense of the services rendered is recognized over the period that the services are performed.

i) *Stock-based Compensation*

The Company recognizes compensation expense for all share-based payments in accordance with FASB Codification Topic 718, *Compensation — Stock Compensation*, (ASC 718). Under the fair value recognition provisions of ASC 718, the Company recognizes share-based compensation expense, net of an estimated forfeiture rate, over the requisite service period of the award.

The fair value at grant date of stock options is estimated using the Black-Scholes option-pricing model. Compensation expense is recognized on a straight-line basis over the stock option vesting period based on the estimated number of stock options that are expected to vest. Shares are issued from treasury upon exercise of stock options.

(j) *Other Comprehensive Income*

Other comprehensive income refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income, but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. The Company's other comprehensive income is comprised only of unrealized foreign exchange gains and losses.

(k) *Income Per Share*

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding in the period. Diluted earnings per share are calculated giving effect to the potential dilution of the exercise of options and warrants. Common equivalent shares, composed of incremental common shares issuable upon the exercise of stock options and warrants are included in diluted net income per share to the extent that these shares are dilutive. Common equivalent shares that have an anti-dilutive effect on net income per share have been excluded from the calculation of diluted weighted average shares outstanding for the years ended December 31, 2021 and 2020.

l) *Use of Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact the results of operations and cash flows.

Estimates and underlying assumptions are reviewed at each period end. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates include assumptions and estimates relating to the valuation of goodwill and intangible assets, asset impairment analysis, share-based payments, valuation allowances for deferred income tax assets, determination of useful lives of property, equipment and leaseholds and intangible assets, recoverability of accounts receivable, recoverability of investments, discount rates for right of use assets and the valuation of inventory.

(m) *Fair Value of Financial Instruments*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs described below, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that are supported by little or no market activity which is significant to the fair value of the assets or liabilities.

The fair values of cash and cash equivalents, term deposits, accounts receivable, accounts payable, accrued liabilities and the short term line of credit for all periods presented approximate their respective carrying amounts due to the short term nature of these financial instruments.

The fair value of the long term debt for all periods presented approximates their respective carrying amounts due to these financial instruments being at market rates.

(n) *Contingencies*

Certain conditions may exist as of the date the consolidated financial statements are issued which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potential material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Legal fees associated with loss contingencies are expensed as incurred.

(o) *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance so that the assets are recognized only to the extent that when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized.

In accordance with FASB ASC 740 "*Income taxes*" under the liability method, it is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. At December 31, 2021, the Company believes it has appropriately accounted for any unrecognized tax benefits. To the extent the Company prevails in matters for which a liability for an unrecognized benefit is established or is required to pay amounts in excess of the liability, the Company's effective tax rate in a given financial statement period may be affected. Interest and penalties associated with the Company's tax positions are recorded as interest expense in the consolidated statements of operations and comprehensive income.

(p) *Risk Management*

The Company's credit risk is primarily attributable to its accounts receivable. The amounts presented in the accompanying consolidated balance sheets are net of allowances for doubtful accounts, estimated by the Company's management based on prior experience and the current economic environment. The Company is exposed to credit-related losses in the event of non-payment by customers. Credit exposure is minimized by dealing with only credit worthy counterparties. Revenue for the Company's three primary customers totaled $16,917,947 (49%) for the year ended December 31, 2021 (2020 - $14,713,127 or 47%). Accounts receivable for the Company's three primary customers totaled $4,940,995 (69%) at December 31, 2021 (2020 - $3,986,284 or 68%).

The credit risk on cash and cash equivalents is limited because the Company limits its exposure to credit loss by placing its cash and cash equivalents with major financial institutions. The Company maintains cash balances at financial institutions which at times exceed federally insured amounts. The Company has not experienced any losses in such accounts.

The Company is exposed to foreign exchange and interest rate risk to the extent that market value rate fluctuations materially differ from financial assets and liabilities, subject to fixed long-term rates.

In order to manage its exposure to foreign exchange risks, the Company is closely monitoring the fluctuations in the foreign currency exchange rates and the impact on the value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The Company has not hedged its exposure to currency fluctuations.

The Company is exposed to interest rate risk to the extent that the fair value or future cash flows for financial liabilities will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its long-term debt.

In order to manage its exposure to interest rate risk, the Company is closely monitoring fluctuations in market interest risks and will refinance its long-term debt where possible to obtain more favourable rates.

(q) *Equity Method Investment*

The Company accounts for investments using the equity method of accounting if the investment provides the Company the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company's ownership interest in the voting stock of the investee ranges between 20% and 50%, although other factors, such as representation on the investee's board of directors, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the investment is initially recorded at cost in the consolidated balance sheets under other assets and adjusted for dividends received and the Company's share of the investee's earnings or losses together with other-than-temporary impairments which are recorded through other income (loss), net in the consolidated statements of income and comprehensive income.

(r) *Goodwill and intangible assets*

Goodwill represents the excess of the purchase price of an acquired entity over the amounts assigned to the assets acquired and liabilities assumed. Goodwill is not amortized, but is reviewed for impairment annually or more frequently if certain impairment conditions arise. The Company performs an annual goodwill impairment review in the fourth quarter of each year at the reporting unit level. The evaluation begins with a qualitative assessment of the factors that could impact the significant inputs used to estimate fair value. If after performing the qualitative assessment, it is determined that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, including goodwill, then no further analysis is necessary. However, if the results of the qualitative test are unclear, the Company performs a quantitative test, which involves comparing the fair value of a reporting unit with its carrying amount, including goodwill. The Company uses an income-based valuation method, determining the present value of future cash flows, to estimate the fair value of a reporting unit. If the fair value of a reporting unit exceeds its positive carrying amount, goodwill of the reporting unit is considered not impaired, and no further analysis is necessary. If the fair value of the reporting unit is less than its carrying amount, goodwill impairment would be recognized equal to the amount of the carrying value in excess of the reporting unit's fair value, limited to the total amount of goodwill allocated to the reporting unit.

Intangible assets primarily include trademarks and trade secrets with indefinite lives and customer-relationships with finite lives. Intangible assets with indefinite lives are not amortized but are tested for impairment on an annual basis, or more frequently if indicators of impairment are present. Indefinite lived intangible assets are assessed using either a qualitative or a quantitative approach. The qualitative assessment evaluates factors including macro-economic conditions, industry and company-specific factors, legal and regulatory environments, and historical company performance in assessing fair value. If it is determined that it is more likely than not that the fair value of the intangible asset is less than its carrying value, a quantitative test is then performed. Otherwise, no further testing is required. When using a quantitative approach, the Company compares the fair value of the intangible asset to its carrying amount, including goodwill. If the estimated fair value of the intangible asset is less than the carrying amount of the intangible asset, impairment is indicated, requiring recognition of an impairment charge for the differential.

Qualitative assessments of goodwill and indefinite-lived intangible assets were performed in 2021 and 2020. Based on the results of the assessment, it was determined that it is more likely than not the reporting unit, customer lists and trademarks had a fair value in excess of their carrying value. Accordingly, no further impairment testing was completed and no impairment charges related to goodwill or indefinite-lived intangibles were recognized during the year ended December 31, 2021 or 2020.

Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company reviews for impairment indicators of finite-lived intangibles and other long-lived assets as described in the "Impairment of Long Lived Assets" significant accounting policy.

(s) *Recent Accounting Pronouncements*

The Company has implemented all applicable new accounting pronouncements that are in effect. Those pronouncements did not have any material impact on the consolidated financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

3. LEASES

Accounting and reporting guidance for leases requires that leases be evaluated and classified as either operating or finance leases by the lessee and as either operating, sales-type or direct financing leases by the lessor. For leases with terms greater than 12 months, the Company records the related right-of-use ("ROU") asset and lease obligation at the present value of lease payments over the term. Leases may include fixed rental escalation clauses, renewal options and / or termination options that are factored into the determination of lease payments when appropriate. The Company's operating leases are included in ROU assets, lease liabilities-current portion and lease liability-less current portion in the accompanying consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. The Company's leases do not usually provide a readily determinable implicit rate; therefore, an estimate of the Company's incremental borrowing rate is used to discount the lease payments based on information available at the lease commencement date. The discount rate used was 5.5%.

The table below summarizes the right-of-use asset and lease liability for the year ended December 31, 2021:

Right of Use Assets		
Balance at December 31, 2019	$	789,205
Addition		260,661
Termination		(234,980)
Depreciation		(331,773)
Balance at December 31, 2020	$	483,113
Depreciation		(265,846)
Balance at December 31, 2021	$	217,267
Lease Liability		
Balance at December 31, 2019	$	789,205
Addition		260,661
Termination		(234,980)
Lease interest expense		53,768
Payments		(385,541)
Balance at December 31, 2020	$	483,113
Lease interest expense		22,057
Payments		(287,903)
Balance at December 31, 2021	$	217,267
Short-term portion	$	77,715
Long-term portion		139,552
Total	$	217,267

Undiscounted rent payments are as follows:

2022		78,240
2023		77,100
2024		70,440
2025		71,940
Total	$	297,720
Impact of discounting		(80,453)
Lease liability, December 31, 2021	$	217,267

4. Accounts Receivable

	2021		2020	
Accounts receivable	$	7,403,308	$	6,161,249
Allowances for doubtful accounts		(273,979)		(271,436)
	$	7,129,329	$	5,889,813

5. Inventories

	2021		2020	
Completed goods	$	3,417,829	$	3,393,794
Work in progress		-		152,595
Raw materials and supplies		6,084,176		4,826,087
	$	9,502,005	$	8,372,476

6. Property, Equipment and Leaseholds

	2021 Cost		Accumulated Depreciation		2021 Net	
Buildings and improvements	$	4,823,708	$	2,983,589	$	1,840,119
Automobiles		196,255		71,258		124,997
Computer hardware		43,605		42,456		1,149
Furniture and fixtures		130,658		106,101		24,557
Office equipment		1,872		1,155		717
Manufacturing equipment		6,867,799		4,171,699		2,696,100
Trailer		9,463		7,532		1,931
Boat		34,400		26,284		8,116
Leasehold improvements		88,872		88,872		—
Technology		107,759		107,759		—
Land		234,027		—		234,027
	$	12,538,418	$	7,606,705	$	4,931,713

	2020 Cost		Accumulated Depreciation		2020 Net
Buildings and improvements	$ 4,798,370	$	2,836,142	$	1,962,228
Automobiles	180,956		61,266		119,690
Computer hardware	43,593		41,957		1,636
Furniture and fixtures	111,145		101,186		9,959
Office equipment	1,864		971		893
Manufacturing equipment	6,154,425		3,573,748		2,580,677
Trailer	9,422		6,675		2,747
Boat	34,400		24,255		10,145
Leasehold improvements	88,872		87,205		1,667
Technology	107,295		107,295		—
Land	452,399		—		452,399
	$ 11,982,741	$	6,840,700	$	5,142,041

Amount of depreciation expense for 2021: $773,497 (2020: $659,233) and is included in cost of sales in the consolidated statements of income and comprehensive income.

During the year ended December 31, 2021, 3.3 acres of cleared and undeveloped land in Taber, AB Canada was disposed of for proceeds of $263,380 ($333,899CAD). With a cost of $219,318 ($278,040CAD) the Company recognized a gain of $44,330 ($55,859CAD) on the disposal. During the year ended December 31, 2020, equipment with a cost of $79,517 and accumulated depreciation of $64,218 was disposed for proceeds of $24,789. The Company recognized a gain of $9,490 on the disposal.

7. PATENTS

	2021 Cost		Accumulated Amortization		2021 Net
Patents	$ 208,079	$	194,380	$	13,699

	2020 Cost		Accumulated Amortization		2020 Net
Patents	$ 208,211	$	178,074	$	30,137

Decrease in 2021 cost was due to currency conversion. 2021 cost in Canadian dollars - $265,102 (2020 - $265,102 in Canadian dollars).

Amount of amortization for 2021: $16,438 (2020 - $16,438) and is included in cost of sales in the consolidated statements of income and comprehensive income.

Estimated amortization expense over the next five years is as follows:

2022	$	13,699

8. Goodwill and Intangible Assets

Goodwill	
Balance as of December 31, 2020 and 2021	$ 2,534,275
Indefinite Lived Intangible Assets	
Balance as of December 31, 2020 and 2021	$ 770,000

Goodwill relates to the acquisition of ENP Investments. Indefinite lived intangible assets consist of trade secrets and trademarks related to the acquisition of ENP Investments.

Definite Life Intangible Assets	
Balance as of December 31, 2019	$ 2,182,000
Amortization	(176,000)
Balance as of December 31, 2020	2,006,000
Amortization	(176,000)
Balances as of December 31, 2021	$ 1,830,000

Definite life intangible assets consist of customer relationships and software related to the acquisition of ENP Investments. Customer relationships and software are amortized over their estimated useful life of 15 years and 3 years, respectively.

Estimated amortization expense over the next five years is as follows:

2022	$ 160,000
2023	160,000
2024	160,000
2025	160,000
2026	160,000

9. Long Term Deposits

The Company has security deposits that are long term in nature which consist of damage deposits held by landlords and security deposits held by various vendors.

	2021	2020
Long term deposits	$ 8,540	$ 8,540

10. Investments

(a) The Company has a 50% ownership interest in ENP Peru Investments LLC ("ENP Peru"). ENP Peru is located in Illinois and leases warehouse space. The Company accounts for this investment using the equity method of accounting. A summary of the Company's investment follows:

Balance, December 31, 2019	$ 11,387
Return of equity	(9,063)
Gain in equity method investment	1,498
Balance, December 31, 2020	3,822
Return of equity	(3,822)
Gain in equity method investment	22,642
Balance, December 31, 2021	$ 22,642

During the year ended December 31, 2021, the Company received an additional $30,478 from ENP Peru. At the time of receipt of the payment, the investment balance was $nil and the payment was not recorded against the investment balance but was included in gains on investments.

Summarized profit and loss information for ENP Peru is as follows:

		2021		2020
Net sales	$	322,079	$	295,800
Net income	$	45,285	$	2,996

(b) During the year ended December 31, 2018, ENP Investments acquired a 24% ownership interest in ENP Realty LLC ("ENP Realty"). ENP Realty is located in Illinois and leases warehouse space. During the year ended December 31, 2020, the other partners of ENP Realty withdrew from the partnership, resulting in ENP Realty becoming a wholly owned subsidiary of ENP Investments. As a result, ENP Realty is consolidated in the financial statements of the Company and a 35% non-controlling interest is recognized from the acquisition date onwards.

It was determined that ENP Realty did not meet the definition of a business in accordance with FASB Codification Topic 805, Business Combinations (ASC 805), and the acquisition was accounted for as an asset acquisition. The following table summarizes the final purchase price allocation of the consideration paid to the respective fair values of the assets acquired and liabilities assumed in ENP Realty as of the acquisition date.

Investment eliminated upon consolidation	$	63,165
Assets acquired:		
Cash		13,419
Building		630,000
Land		85,000
Liabilities assumed:		
Accounts payable		(15,797)
Long term debt		(450,000)
Deferred income tax liability		(66,116)
Total identifiable net assets:		196,506
Gain on acquisition of ENP Realty	$	133,341

The income tax expense arising from the deferred income tax liability is net against gain on acquisition of ENP Realty in the consolidated statements of income and comprehensive income.

A summary of the Company's investment follows:

Balance, December 31, 2019	$	63,165
Investment eliminated upon consolidation		(63,165)
Balance, December 31, 2020 and 2021	$	-

(c) In December 2018 the Company invested $200,000 in Applied Holding Corp. ("Applied"). Applied is a captive insurance company and the Company received a non-convertible promissory note for its investment which becomes due in 2021 but may be extended with notice for a maximum of two years. In accordance with FASB Codification Topic 320, *Investments – Debt Securities* (ASC 320), the Company has elected to account for this investment at cost. During the year ended December 31, 2021, the Company entered an agreement with Applied to extend the maturity date of this promissory note to December 6, 2023.

(d) In December 2018 the Company invested $500,000 in Trio Opportunity Corp. ("Trio"), a privately held entity. Trio is a real estate investment vehicle and the Company received 50,000 non-voting Class B shares at $10.00/share. In accordance with FASB Codification Topic 321, *Investments – Equity Securities (*ASC 321), the Company has elected to account for this investment at cost.

(e) In January 2019, the Company invested $1,001,000 in a Florida based LLC that is engaged in international sales of fertilizer additives. The Company accounts for this investment using the equity method of accounting. According to the operating agreement, the Company has a 50% interest in the profit and loss of the Florida based LLC but does not have control. A summary of the Company's investment follows:

Balance, December 31, 2019	$	1,141,033
Additional payments		2,518,684
Gain in equity method investment		809,342
Return of equity		(896,714)
Balance, December 31, 2020		3,572,345
Gain in equity method investment		454,023
Return of equity		(325,000)
Balance, December 31, 2021	$	3,701,368

Further to the original investment amount, the Company had placed $1,000,000 in trust, which was released during the year ended December 31, 2020 upon the Florida based LLC reaching a milestone related to earnings before interest, taxes and depreciation ("EBITDA") targets. The additional payments of $2,518,684 made during the year ended December 31, 2020 related to contingent consideration which was dependent on the Florida based LLC meeting certain performance millstones during the year. Summarized profit and loss information related to the equity accounted investment is as follows:

		2021		2020
Net sales	$	11,543,277	$	12,138,511
Gross profit		3,517,387		4,688,654
Net income	$	908,045	$	1,618,685

During the year ended December 31, 2021, the Company had sales of $7,982,281 (2020 - $7,476,047) to the Florida Based LLC, of which $2,202,345 is included within Accounts Receivable as at December 31, 2021 (2020 - $1,593,272).

(f) In December 2020, the Company invested $500,000 in Lygos Inc., a privately held entity, under a Simple Agreement for Future Equity agreement. Both companies intend to work together in pursuit of sustainable aspartic acid through synthetic biology. The Company has elected to account for this investment at cost. A summary of the Company's investment follows:

Balance, December 31, 2019	$	-
Acquisition		500,000
Balance, December 31, 2020		500,000
Additional payment		500,000
Balance, December 31, 2021	$	1,000,000

11. Short-Term Line of Credit

(a) In September 2018, the Company signed a new agreement with Harris Bank ("Harris") to renew the expiring credit line. The revolving line of credit is for an aggregate amount of up to the lesser of (i) $2,500,000, or (ii) 80% of eligible domestic accounts receivable and certain foreign accounts receivable plus 60% of inventory. The loan had an annual interest rate of 4.75%. The revolving line of credit at Harris was paid in October 2020, upon the opening of the revolving line of credit at Midland States Bank ("Midland").

(b) In April 2020 and in August 2021, ENP Investments signed a new agreement with Midland to renew the expiring credit line. The revolving line of credit is for an aggregate amount up to $3,000,000. The interest rate of this loan is subject to change from time to time based on changes in an independent index which is the 1 month LIBOR as published in the Wall Street Journal (the "Index"). Interest on the unpaid principal balance of this loan will be calculated using a rate of 1.000 percentage points over the Index. Under no circumstances will the interest rate of this loan be less than 4.250% per annum or more than the maximum rate allowed by applicable law. The interest rate at December 31, 2021 is 4.25% (2020 – 4.5%). In March 2022, a new agreement was signed, increasing the revolving line of credit to an aggregate amount $4,000,000.

The revolving line of credit contains customary affirmative and negative covenants, including the following: compliance with laws, provisions of financial statements and periodic reports, payment of taxes, maintenance of inventory and insurance, maintenance of operating accounts at Midland, Midland's access to collateral, formation or acquisition of subsidiaries, incurrence of indebtedness, dispositions of assets, granting liens, changes in business, ownership or business locations, engaging in mergers and acquisitions, making investments or distributions and affiliate transactions. NanoChem is a guarantor of 65% of all the principal and other loan costs not to exceed $1,950,000. As of December 31, 2021, ENP Investments was in compliance with all loan covenants.

To secure the repayment of any amounts borrowed under the revolving line of credit, ENP Investments granted Midland a security interest in all inventory, equipment and fixtures and acknowledges a separate commercial security agreement from guarantor to Midland dated February 15, 2011.

Short-term borrowings outstanding under the revolving line as of December 31, 2021 were $811,665 (2020 - $541,456).

(c) In October 2021, the Company signed a new agreement with Midland to replace the expiring credit line at Harris. The revolving line of credit is for an aggregate amount of up to the lesser of (i) $3,500,000, or (ii) 80% of eligible domestic accounts receivable and certain foreign accounts receivable plus 50% of inventory. Interest on the unpaid principal balance of this loan will be calculated using a rate of 0.500 percentage points over the Index. Under no circumstances will the interest rate of this loan be less than 4.50% per annum or more than the maximum rate allowed by applicable law. The interest rate at December 31, 2021 is 4.50% (2020 – 3.75%).

The revolving line of credit contains customary affirmative and negative covenants, including the following: compliance with laws, provision of financial statements and periodic reports, payment of taxes, maintenance of inventory and insurance, maintenance of operating accounts at Midland, Midland's access to collateral, formation or acquisition of subsidiaries, incurrence of indebtedness, dispositions of assets, granting liens, changes in business, ownership or business locations, engaging in mergers and acquisitions, making investments or distributions and affiliate transactions. The covenants also require that the Company maintain a minimum ratio of qualifying financial assets to the sum of qualifying financial obligations. As of December 31, 2021, Company was in compliance with all loan covenants.

To secure the repayment of any amounts borrowed under the revolving line of credit, the Company granted Midland a security interest in substantially all of the assets of NanoChem, exclusive of intellectual property assets.

Short-term borrowings outstanding under the revolving line as of December 31, 2021 were $1,489,154 (2020 - $1,574,617).

12. Long Term Debt

(a) In October 2018, NanoChem signed a $4,100,000 term loan with Harris with a rate of prime to be repaid over 7 years with equal monthly installments plus interest along two payments consisting of 25% prior year cash flow recapture, capped at $300,000, due May 31, 2019 and 2020. The money was used to purchase a 65% interest in ENP Investments. Interest expense for the year ended December 31, 2020 was $75,874. This loan was paid in October 2020 upon opening of credit facilities at Midland.

(b) In April 2019, NanoChem signed a loan for $1,100,000 with Harris with a rate of prime plus 0.5% for the purchase of new manufacturing equipment. The Company paid interest monthly until February 2020, when equal monthly installments of the principal and interest were due until January 2024. Interest expense for the year ended December 31, 2020 was $36,272. This loan was paid in October 2020 upon opening of credit facilities at Midland.

(c) In January 2018, ENP Investments signed a $200,000 promissory note with Midland with a rate of 5.250% to be repaid over 7 years with equal monthly installments plus interest. This money was used to purchase production equipment and in May 2021, ENP Investments paid the loan in full with cash on hand. Interest expense for the year ended December 31, 2021 was $2,788 (2020 - $7,588). The principal balance owing at December 31, 2021 is $nil (2020 - $125,543).

(d) In March 2016, ENP Investments signed a $45,941 promissory note with Ford Motor Credit Company with a rate of 0.00% interest to be repaid over 5 years with equal monthly installments. In August 2020, the loan was paid in full.

(e) In April 2020, NanoChem received a two year loan of $322,000 through the Paycheck Protection Program with a rate of 1%. In March, 2021, the loan was forgiven by the Small Business Administration and has been recorded as Other Income on the consolidated statements of income and comprehensive income for the year ended December 31, 2021.

(f) In April 2020, ENP Investments received a two year loan of $215,960 through the Paycheck Protection Program with a rate of 1%. In March, 2021, the loan was forgiven by the Small Business Administration and has been recorded as Other Income on the consolidated statements of income and comprehensive income for the year ended December 31, 2021.

(g) In October 2020, NanoChem signed a $1,980,947 term loan with Midland with a rate of 3.85% to be repaid over 5 years with equal monthly payments including interest. The money was used to retire the debt at Harris related to the loan to purchase a 65% interest in ENP Investments. Interest for the year ended December 31, 2021 was $69,831 (2020 - $13,389). The balance owing at December 31, 2021 is $1,554,044 (2020 - $1,920,976).

The Company has committed to the following repayments:

2022	$	382,705
2023	$	397,414
2024	$	413,516
2025	$	360,409

(h) In October 2020, NanoChem signed a loan for $894,253 with Midland with an interest rate 3.85% to be repaid over two years with equal monthly payments including interest. The funds were used to replace the loan at Harris for the purchase of new manufacturing equipment. Interest expense for the year ended December 31, 2021 was $24,827 (2020 - $6,218). The balance owing at December 31, 2021 is $381,674 (2020 - $822,380).

(i) In January 2020, ENP Mendota refinanced its mortgage and signed a loan for $450,000 with Stock Yards Bank & Trust to be repaid over 10 years with monthly installments plus interest. Interest for the first five years is at 4.35% and it will be adjusted for the last five years to the Cincinnati Federal Home Bank Loan 5 year fixed index plus 2.5%. Interest expense for the year ended December 31, 2021 was $17,107 (2020 - $18,049). The balance owing at December 31, 2021 is $430,880 (2020 - $440,779).

The Company has committed to the following repayments:

2022	$	29,749
2023	$	29,749
2024	$	29,749
2025	$	29,749

As of December 31, 2021, Company was in compliance with all loan covenants.

Continuity	December 31, 2021		December 31, 2020	
Balance, January 1	$	3,847,638	$	4,380,393
Plus: Proceeds from loans		-		3,413,160
Plus: Loan acquired with acquisition of ENP Realty		-		450,000
Less: Forgiveness on PPP loans		(537,960)		-
Less: Payments on loan		(943,080)		(4,395,915)
Balance, December 31	$	2,366,598	$	3,847,638

Outstanding balance	December 31, 2021	December 31, 2020
a) Long term debt – Harris Bank	$ -	$ -
b) Long term debt – Harris Bank	-	-
c) Long term debt – Midland States Bank	-	125,543
d) Long term debt – Ford Credit	-	-
e) Long term debt – PPP	-	322,000
f) Long term debt - PPP	-	215,960
g) Long term debt – Midland States Bank	1,554,044	1,920,976
h) Long term debt – Midland States Bank	381,674	822,380
i) Long term debt – Stock Yards Bank & Trust	430,880	440,779
Long-term Debt	2,366,598	3,847,638
Less: current portion	(793,574)	(848,794)
	$ 1,573,024	$ 2,998,844

13. Convertible Note Payable

In October 2018, the Company issued a convertible note payable in the amount of $1,000,000 in connection with the acquisition of EnP Investments LLC. The convertible note is due on or before September 30, 2023 with 5% interest due per year. At the option of the holder, the Note may be converted into 400,000 shares in the Company's common stock.

In June 2019, the holder opted to convert $500,000 of the convertible note payable into 200,000 shares of the Company's common stock.

In April 2020, the Company repaid the remaining principal balance of $500,000 and accrued interest of $13,046.

14. Income Taxes

The provision for income tax expense (benefit) is comprised of the following:

	2021	2020
Current tax, federal	$ 1,309,503	$ 739,113
Current tax, state	592,394	334,361
Current tax, foreign	91,285	124,414
Current tax, total	1,993,182	1,197,888
Deferred income tax, federal	250,153	158,308
Deferred income tax, state	113,164	71,616
Deferred income tax, foreign	-	179,629
Deferred income tax, total	363,317	409,553
Total	$ 2,356,499	$ 1,607,441

The following table reconciles the income tax expense at the U.S. Federal statutory rate to income tax expense at the Company's effective tax rates.

	2021	2020
Income before tax	$ 6,650,756	$ 5,190,975
US statutory tax rates	30.50%	30.50%
Expected income tax	2,028,481	1,583,247
Non-deductible items	(29,508)	(60,470)
Change in estimates and other	(65,027)	603,422
Change in enacted tax rate	337,961	-
Foreign tax rate difference	(86,696)	(120,372)
Change in valuation allowance	171,288	(398,386)
Total income taxes	2,356,499	1,607,441
Current income tax expense	1,993,182	1,197,888
Deferred tax expense (recovery)	363,317	409,553
Total income tax expense	$ 2,356,499	$ 1,607,441

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at December 31, 2021 and 2020 are comprised of the following:

	2021	2020
Canada		
Non capital loss carryforwards	$ 1,443,371	$ 1,638,357
Intangible assets	19,849	18,863
Property, equipment and leaseholds	587,408	624,016
Financial instruments	-	26,690
	2,050,628	2,307,926
Valuation allowance	(2,050,628)	(2,307,926)
Net deferred tax asset	$ -	$ -

US	2021	2020
Net operating loss carryforwards	$ -	$ -
Intangible assets	-	-
Investments	(241,880)	(167,635)
Property, equipment and leaseholds	(68,282)	(66,116)
Property, equipment and leaseholds	12,697	201,393
Financial instruments	-	98,210
Deferred tax asset not recognized	-	-
Net deferred tax asset (liability)	$ (297,465)	$ 65,852

The Company has non-capital loss carryforwards of approximately $6,275,526 (2020 - $6,068,054) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

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		Loss
	2029	891,014
	2030	1,081,844
	2031	1,245,577
	2037	2,238,533
	2038	372,149
	2039	72,378
	2040	166,494
	2041	207,537
Total		6,275,526

As at December 31, 2021, the Company has no net operating loss carryforwards available for US tax purposes.

Accounting for Uncertainty for Income Tax

As at December 31, 2021 and 2020, the Company's consolidated balance sheets did not reflect a liability for uncertain tax positions, nor any accrued penalties or interest associated with income tax uncertainties. The Company has no income tax examinations in progress.

15. INCOME PER SHARE

The Company presents both basic and diluted income per share on the face of its consolidated statements of income. Basic and diluted income per share are calculated as follows:

	2021	2020
Net income attributable to controlling interest	$ 3,449,162	$ 2,977,050
Weighted average common shares outstanding:		
Basic	12,316,254	12,240,641
Diluted	12,505,522	12,302,552
Net income per common share attributable to controlling interest:		
Basic and diluted	$ 0.28	$ 0.24

Certain stock options whose terms and conditions are described in Note 16, "Stock Options" could potentially dilute basic EPS in the future, but were not included in the computation of diluted EPS because to do so would have been anti-dilutive. Those anti-dilutive options are as follows.

	2021	2020
Anti-dilutive options	21,000	507,000

There were no preferred shares issued and outstanding during the years ended December 31, 2021 or 2020.

16. STOCK OPTIONS.

The Company has a stock option plan ("Plan"). The purpose of this Plan is to provide additional incentives to key employees, officers, directors and consultants of the Company and its subsidiaries in order to help attract and retain the best available personnel for positions of responsibility and otherwise promote the success of the Company's business. It is intended that options issued under this Plan constitute non-qualified stock options. The general terms of awards under the option plan are that 100% of the options granted will vest the year following the grant. The maximum term of options granted is 5 years and the exercise price for all options are issued for not less than fair market value at the date of the grant.

The following table summarizes the Company's stock option activities for the years ended December 31, 2021 and 2020:

	Number of shares	Exercise price per share	Weighted average exercise price
Balance, December 31, 2019	635,000	$ 0.75 – 1.75	$ 1.35
Granted	172,000	$ 2.44	$ 2.44
Cancelled or expired	(13,000)	$ 2.44 – 3.46	$ 2.75
Exercised	(45,000)	$ 0.75 – 1.05	$ 0.88
Balance, December 31, 2020	749,000	$ 0.75 – 4.13	$ 2.42
Granted	170,000	$ 3.61	$ 3.61
Cancelled or expired	(34,799)	$ 1.42 – 3.46	$ 2.30
Exercised	(94,701)	$ 0.75 – 3.46	$ 1.58
Balance, December 31, 2021	789,500	$ 1.42 – 4.13	$ 2.78
Exercisable, December 31, 2021	564,500	$ 1.42 – 4.13	$ 2.63

The weighted-average remaining contractual life of outstanding options is 3.20 years.

The fair value of each option grant is calculated using the following weighted average assumptions:

	2021	2020
Expected life – years	3.0	3.0
Interest rate	1.23%	0.37%
Volatility	63.28%	70.14%
Weighted average fair value of options granted	$ 1.23	$ 1.12

During the year ended December 31, 2021, the Company granted 45,000 (2020 – 45,000) stock options to consultants and has applied ASC 718 using the Black-Scholes option-pricing model, which resulted in expenses of $13,860 (2020 - $10,080). Options granted in other years resulted in additional expenses of $51,210 (2020 – $43,905). During the year ended December 31, 2021, employees were granted 125,000 (2020 – 127,000) stock options, which resulted in expenses of $38,500 (2020 – $28,316). Options granted in other years resulted in additional expenses in the amount of $106,542 for employees during the year ended December 31, 2021 (2020 - $73,711). There were 61,500 employee and 33,201 consultant stock options exercised during the year ended December 31, 2021 (2020 – 35,000 employee; 10,000 consultant).

As of December 31, 2021, there was approximately $229,918 of compensation expense related to non-vested awards. This expense is expected to be recognized over a weighted average period of 1.0 years.

The aggregate intrinsic value of vested options outstanding at December 31, 2021 is $712,945 (2020 – $nil). The intrinsic value of options exercised during the year was $203,701 (2020 - $56,230).

17. Capital Stock.

During the year ended December 31, 2021, 61,500 shares were issued upon the exercise of employee stock options (2020 – 35,000) and 33,201 shares were issued upon the exercise of consultant stock options (2020 – 10,000).

On March 19, 2020, the Company suspended the annual dividend until further notice due to the uncertainty surrounding the COVID-19 virus.

18. Non-Controlling Interests

ENP Investments is a limited liability corporation (LLC) that manufactures and distributes golf, turf and ornamental agriculture products in Mendota, Illinois. The Company owns a 65% interest in ENP Investments through its wholly-owned subsidiary NanoChem. An unrelated party owns the remaining 35% interest in ENP Investments. As of December 31, 2020, ENP Mendota is a wholly owned subsidiary of ENP Investments. ENP Mendota leases warehouse space. For financial reporting purposes, the assets, liabilities and earnings of both of the LLC's are consolidated into these financial statements. The unrelated third party's ownership interest in the LLC is recorded in non-controlling interests in these consolidated financial statements. The non-controlling interest represents the non-controlling unitholder's interest in the earnings and equity of ENP Investments. ENP Investments is allocated to the BCPA segment.

ENP Investments makes cash distributions to its equity owners based on formulas defined within its Ownership Interest Purchase Agreement dated October 1, 2018. Distributions are defined in the Ownership Interest Purchase Agreement as cash on hand to the extent it exceeds current and anticipated long-term and short-term needs, including, without limitation, needs for operating expenses, debt service, acquisitions, reserves, and mandatory distributions, if any.

From the effective date of acquisition onward, the minimum distributions requirements under the Ownership Interest Purchase Agreement were satisfied. The total distribution from the effective date of acquisition onward was $1,924,995.

Balance, December 31, 2019	$	2,550,149
Distribution		(594,882)
Non-controlling interest share of income		606,484
Balance, December 31, 2020		2,561,751
Distribution		(804,003)
Non-controlling interest share of income		845,095
Balance, December 31, 2021	$	2,602,843

During the year ended December 31, 2021, the Company had sales of $4,877,690 (2020 - $4,094,622) to the party that holds 35% interest in ENP Investments, of which $2,215,119 is included within Accounts Receivable as of December 31, 2021 (2020 – $2,056,631).

19. Segmented, Significant Customer Information and Economic Dependency.

The Company operates in two segments:

(a) Energy and water conservation products (as shown under the column heading “EWCP” below), which consists of a (i) liquid swimming pool blankets which saves energy and water by inhibiting evaporation from the pool surface, and (ii) food-safe powdered form of the active ingredient within the liquid blankets and which are designed to be used in still or slow moving drinking water sources.

(b) Biodegradable polymers (“BCPA’s”), also known as TPA’s, used by the petroleum, chemical, utility and mining industries to prevent corrosion and scaling in water piping. This product can also be used in detergents to increase biodegradability and in agriculture to increase crop yields by enhancing fertilizer uptake.

The accounting policies of the segments are the same as those described in Note 2, *Significant Accounting Policies*. The Company evaluates performance based on profit or loss from operations before income taxes, not including nonrecurring gains and losses and foreign exchange gains and losses.

The Company’s reportable segments are strategic business units that offer different, but synergistic products and services. They are managed separately because each business requires different technology and marketing strategies.

Year ended December 31, 2021:

	EWCP		BCPA		Consolidated	
Sales	$	420,811	$	33,995,524	$	34,416,335
Interest expense		-		199,930		199,930
Depreciation		40,247		925,688		965,935
Current and deferred income tax expense		24,384		2,361,298		2,385,682
Segment profit		(368,994)		3,818,156		3,449,162
Segment assets		1,929,537		37,621,733		39,551,270
Expenditures for segment assets		-		782,219		782,219

Year ended December 31, 2020:

	EWCP	BCPA	Consolidated
Sales	$ 334,423	$ 31,073,031	$ 31,407,454
Interest expense	54	260,603	260,657
Depreciation	41,969	809,703	851,672
Current and deferred income tax expense	121,164	1,486,277	1,607,441
Segment profit	(536,220)	3,513,270	2,977,050
Segment assets	2,111,501	32,975,887	35,087,388
Expenditures for segment assets	-	1,071,108	1,071,108

Sales by territory are shown below:

	2021	2020
Canada	$ 525,900	$ 562,626
United States and abroad	33,890,435	30,844,828
Total	$ 34,416,335	$ 31,407,454

The Company's long-lived assets (property, equipment, intangibles, goodwill, leaseholds, patents and right of use assets) are located in Canada and the United States as follows:

	2021	2020
Canada	$ 191,752	$ 445,663
United States	10,105,202	10,519,903
Total	$ 10,296,954	$ 10,965,566

Three customers accounted for $16,917,948 (49%) of sales made in 2021 (2020 - $14,713,127 or 47%).

20. SUBSEQUENT EVENTS.

The Company granted 5,000 stock options to an employee and issued 20,500 shares to employees upon the exercise of stock options in the three months ended March 29, 2022.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching our desired disclosure control objectives.

As of the end of the period covered by this Annual Report on Form 10-K for the year ended December 31, 2021 we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15 (e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of our principal executive officer and principal financial officer and implemented by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of our annual financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the 2013 COSO Framework. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls.

Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2021.

There was no change in our internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 10. Directors, Executive Officers and Corporate Governance.

Name	Age	Position
Daniel B. O'Brien	65	President, Chief Executive Officer, Principal Financial and Accounting Officer and a Director
John H. Bientjes	69	Director
Robert Helina	56	Director
Tom Fyles	70	Director
Ben Seaman	41	Director
David Fynn	64	Director

Daniel B. O'Brien has served as our President, Chief Executive Officer and Principal Financial and Accounting Officer, as well as a director since June 1998. He has been involved in the swimming pool industry since 1990, when he founded our subsidiary, Flexible Solutions Ltd. From 1990 to 1998 Mr. O'Brien was also a teacher at Brentwood College where he was in charge of outdoor education.

John H. Bientjes has been a director since 2000. From 1984 to 2018, Mr. Bientjes served as the manager of the Commercial Aquatic Supplies Division of D.B. Perks & Associates, Ltd., located in Vancouver, British Columbia, a company that markets supplies and equipment to commercial swimming pools which are primarily owned by municipalities. Mr. Bientjes retired in 2018. Mr. Bientjes graduated in 1976 from Simon Fraser University in Vancouver, British Columbia with a Bachelor of Arts Degree in Economics and Commerce.

Robert T. Helina has been a director since 2011. Mr. Helina has been involved in the financial services industry for over 30 years which has given him extensive knowledge in business, economics and finance. His specialty is in Corporate Finance and Capital Markets. Mr. Helina holds a Bachelor of Arts degree from Trinity Western University.

Thomas M. Fyles has been a director since 2012. Dr. Fyles holds chemistry degrees from the University of Victoria (B.Sc. 1974) and York University (Ph.D. 1977). Following postdoctoral work in France, he joined the Chemistry Department at the University of Victoria in 1979 where he progressed through the academic ranks to Professor (1992) , Chair (2001 – 2006; 2008), and, on his retirement, Professor Emeritus (2017). His research program spanned analytical, synthetic, and physical chemistry with an emphasis on sensors, membranes, and water treatment processes.

Ben Seaman has been a director since 2016. Mr. Seaman has been the CEO of Eartheasy.com Sustainable Living Ltd since 2007, growing the company from $50K to over $25M in annual revenue. His company has contributed over $1M towards clean water projects in Kenya since 2013, and has been recognized internationally by the Stockholm Challenge Award and the Outdoor Industry Inspiration Award in 2016. Prior to 2007, he worked in sales and investor relations at Flexible Solutions. Mr. Seaman graduated from the University of Victoria with a Bachelor of Science degree in 2004. He has significant experience in launching new products, marketing, distribution and e-commerce in both the US and Canada. He's a strong believer in the triple bottom line approach to business, giving consideration to social and environmental issues in addition to financial performance.

David Fynn has been a director since 2016. Mr. David Fynn is a Canadian Chartered Professional Accountant and services individuals/companies in many sectors including mining and commodities in his private practice. Mr. Fynn worked as a senior manager with KPMG in Canada and Ernst & Young in the United Kingdom and Saudi Arabia. Since 1996 he has been the principal of D.A. Fynn & Associates Inc., an accounting firm.

Directors are elected annually and hold office until the next annual meeting of our stockholders and until their successors are elected and qualified. All executive offices are chosen by the board of directors and serve at the board's discretion.

John Bientjes, Thomas Fyles, Ben Seaman and David Fynn are independent directors as that term is defined in section 803 of the listing standards of the NYSE American.

Our Audit Committee, consisting of John Bientjes, Ben Seaman and David Fynn all of whom have strong financial backgrounds, facilitates and maintains open communications with our board of directors, senior management and our independent auditors. Our Audit Committee also serves as an independent and objective party which monitors our financial reporting process and internal control system. In addition, our Audit Committee reviews and appraises the efforts of our independent auditors. Our Audit Committee meets periodically with management and our independent auditors. John Bientjes and David Fynn meet the SEC's definition of an audit committee financial expert. Each member of the Audit Committee is "independent" as that term is defined in Section 803 of the listing standards of the NYSE American.

Our Compensation Committee, consisting of John Bientjes, Ben Seaman and David Fynn, establishes salary, incentive and other forms of compensation for our Chief Executive Officer and administers our Stock Option Plan. None of our officers participated in deliberations of the compensation committee concerning executive officer compensation. During the year ended December 31, 2021 none of our executive officers served as a member of the compensation committee or as a director of another entity, one of whose executive officers served on our compensation committee or as one of our directors.

We have adopted a Code of Ethics that applies to our Chief Executive Officer, our Chief Financial Officer and our Principal Accounting Officer, as well as our other senior management and financial staff. Interested persons may obtain a copy of our Code of Ethics from our website at www.flexiblesolutions.com.

We believe our directors benefit us for the following reasons:

Name	Reason
Daniel B. O'Brien	Long standing relationship with us.
John J. Bientjes	Long standing relationship with us.
Robert Helina	Corporate finance experience.
Dr. Thomas Fyles	Scientific expertise.
Ben Seaman	Younger generation businessman increases our awareness of internet sales and adds value to our audit and compensation committees
David Fynn	Experienced accountant adds value to our audit and compensation committees

Item 11. Executive Compensation.

Summary Compensation Table

The following table shows in summary form the compensation earned by (i) our Chief Executive Officer and (ii) by each other executive officer who earned in excess of $100,000 during the two fiscal years ended December 31, 2021.

Name and Principal Position	Fiscal Year	Salary (1)	Bonus (2)	Restricted Stock Awards (3)	Options Awards (4)	All Other Annual Compensation (5)	Total
Daniel B. O'Brien	2021	$747,920	—	—	—	—	$747,920
President, Chief Executive Financial and Accounting Officer	2020	$695,352	—	—	—	—	$695,352

(1) The dollar value of base salary (cash and non-cash) earned.

(2) The dollar value of bonus (cash and non-cash) earned.

(3) During the periods covered by the table, the value of the shares of restricted stock issued as compensation for services to the persons listed in the table.

(4) The value of all stock options granted during the periods covered by the table.

(5) All other compensation received that we could not properly report in any other column of the table.

During the year ended December 31, 2012, the Company determined that Daniel B. O'Brien, the Company's President and Chief Executive Officer, was underpaid. Accordingly, the Company increased Mr. O'Brien's annual salary to twice that which was paid to the highest paid employee of the Company. Mr. O'Brien requested his salary be dropped by $100,000/year during 2019 and the Compensation committee agreed. The Company expects that Mr. O'Brien's salary for the year ending December 31, 2022 will again be twice the annual salary less $100,000 paid to the Company's highest paid employee, excluding Mr. O'Brien.

Non-Qualified Stock Option Plan

In August 2014 we adopted a Non-Qualified Stock Option Plan which authorizes the issuance of up to 1,500,000 shares of our common stock to persons that exercise options granted pursuant to the Plan. Our employees, directors and officers, and consultants or advisors are eligible to be granted options pursuant to the Non-Qualified Plan.

The Plan is administered by our Compensation Committee. The Committee is vested with the authority to determine the number of shares issuable upon the exercise of the options, the exercise price and expiration date of the options, and when, and upon what conditions options granted under the Plan will vest or otherwise be subject to forfeiture and cancellation.

During the fiscal year ended December 31, 2021 we issued 170,000 options pursuant to the Non-Qualified Plan (2020 – 172,000).

Summary

The following table shows the weighted average exercise price of the outstanding options granted pursuant to our Non-Qualified Stock Option Plan as of December 31, 2021, our most recently completed fiscal year.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Non-Qualified Stock Option Plan	789,500	$ 2.78	62,000

Our Non-Qualified Stock Option Plan has been approved by our shareholders.

As of December 31, 2021, options to purchase 789,500 shares of our common stock were outstanding under our Non-Qualified Stock Option Plan. The exercise price of these options varies between $1.42 and $4.13 per share and the options expire at various dates between on December 31, 2021 and December 31, 2025.

No options were exercised by our executive officers during the fiscal year ended December 31, 2021.

Director Compensation

We reimburse directors for any expenses incurred in attending board meetings. We also compensate directors $6,000 annually for each year that they serve with an additional $4,000 paid to the head of the Audit Committee -

Our directors received the following compensation in 2021:

Name	Paid in Cash	Stock Awards (1)	Option Awards (2)
John H. Bientjes	$ 10,000	—	—
Robert Helina	$ 6,000		
Tom Fyles	$ 6,000	—	—
Ben Seaman	$ 6,000	—	—
David Fynn	$ 6,000	—	—

(1) The fair value of stock issued for services computed in accordance with ASC 718 on the date of grant.

(2) The fair value of options granted computed in accordance with ASC 718 on the date of grant.

Daniel B. O'Brien was not compensated for serving as a director during 2021.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table shows the beneficial ownership of our common stock as of March 30, 2022 by (i) each stockholder who is known by us to own beneficially more than five percent of our outstanding common stock, (ii) each of our officers and directors, and (iii) by all of our executive officers and directors as a group.

	Shares (1)	Percentage Ownership
Daniel B. O'Brien 6001 54 Ave. Taber, AB Canada T1G 1X4	4,521,900	36.6%
John Bientjes 46081 Greenwood Dr. Chilliwack, BC Canada V2R 4C9	0	0%
Robert Helina 6001 54 Ave. Taber, AB Canada T1G 1X4	40,000	0.3%
Dr. Thomas Fyles Box 3065 Victoria, BC Canada V8W 3V6	15,000	0.1%
Ben Seaman Unit 605 5 E. Cordova St. Vancouver BC Canada V6A 0A5	0	0%
David Fynn 202-2526 Yale Court, Abbotsford, BC Canada V2S 8G9	0	0%
All officers and directors as a group (6 persons)	4,576,900	37.0%
Other Principal Shareholders		
Comprehensive Financial Planning, Inc.	1,358,661	11.0%

(1) Includes shares which may be acquired on the exercise of the stock options, all of which were exercisable as of March 30, 2022, listed below.

Name	No. of Options		Exercise Price	Expiration Date
Robert Helina	5,000	$	1.70	December 31, 2022
	5,000	$	3.46	December 31, 2023
	5,000	$	2.44	December 31, 2024
	5,000	$	2.44	December 31, 2025

Item 13. Certain Relationships and Related Transactions, Director Independence.

Not applicable.

Item 14. Principal Accountant Fees and Services.

In August 2020, Morgan & Company LLP merged with Smythe LLP. Both firms are referenced as Smythe LLP below.

Smythe LLP examined our financial statements for the years ended December 31, 2021 and 2020.

Audit Fees

Smythe LLP was paid $114,800 in the fiscal year ended December 31, 2021 for professional services rendered in the audit of our annual financial statements and for the reviews of the financial statements included in our quarterly reports on Form 10-Q during that fiscal year. Smythe LLP was paid $88,636 for professional services rendered in the audit of our annual financial statements and for the reviews of the financial statements included in our quarterly reports on Form 10-Q during fiscal 2020.

Tax Fees

Smythe LLP has been retained to file our taxes for the fiscal years ended December 31, 2018 and onwards. No fees have been charged to date.

All Other Fees

Smythe LLP was not paid any other fees for professional services during the fiscal years ended December 31, 2021 and 2020.

Audit Committee Pre-Approval Policies

Rules adopted by the SEC in order to implement requirements of the Sarbanes-Oxley Act of 2002 require public company audit committees to pre-approve audit and non-audit services. Our Audit Committee has adopted a policy for the pre-approval of all audit, audit-related and tax services, and permissible non-audit services provided by our independent auditors. The policy provides for an annual review of an audit plan and budget for the upcoming annual financial statement audit, and entering into an engagement letter with the independent auditors covering the scope of the audit and the fees to be paid. Our Audit Committee may also from time-to-time review and approve in advance other specific audit, audit-related, tax or permissible non-audit services. In addition, our Audit Committee may from time-to-time give pre-approval for audit services, audit-related services, tax services or other non-audit services by setting forth such pre-approved services on a schedule containing a description of, budget for, and time period for such pre-approved services. The policy requires our Audit Committee to be informed of each service and the policies do not include any delegation of our Audit Committee's responsibilities to management. Our Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated will report any pre-approval decisions to our Audit Committee at its next scheduled meeting.

During the year ended December 31, 2021 our Audit Committee approved all of the fees paid to Smythe LLP. Our Audit Committee has determined that the rendering of all non-audit services by Smythe LLP is compatible with maintaining its independence.

Item 15. Exhibits, Financial Statement Schedules.

Number	Description
3.1	Articles of Incorporation of the Registrant. (1)
3.2	Bylaws of the Registrant. (1)
21.1	Subsidiaries. (2)
23.1	Consent of Independent Accountants.
31.1	Certification of Principal Executive Officer Pursuant to §302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to §302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive and Financial Officer Pursuant to 18 U.S.C. §1350 and §906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

(1) Previously filed as an exhibit to our Registration Statement on Form 10-SB filed with the Commission on February 22, 2000, and incorporated herein by reference.

(2) Previously filed as an exhibit to our Registration Statement on Form SB-2 filed with the Commission on January 22, 2003, and incorporated herein by reference.

SIGNATURES

In accordance with the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 29, 2022

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.

By: */s/ Daniel B. O'Brien*
Name: Daniel B. O'Brien
Title: President and Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Daniel B. O'Brien Daniel B. O'Brien	President, Principal Executive Officer, Principal Financial and Accounting Officer and a Director	March 29, 2022
/s/ John H. Bientjes John H. Bientjes	Director	March 29, 2022
/s/ Robert T. Helina Robert T. Helina	Director	March 29, 2022
/s/ Thomas Fyles Thomas Fyles	Director	March 29, 2022
/s/ Ben Seaman Ben Seaman	Director	March 29, 2022
/s/ David Fynn David Fynn	Director	March 29, 2022

EXHIBIT 23.1

Smythe
CPA

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our Independent Auditors' Report, dated March 29, 2022, accompanying the consolidated financial statements for the years ended December 31, 2021 and 2020 of Flexible Solutions International, Inc. appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission. We hereby consent to the incorporation by reference of such report in the Company's registration statements on Form 10-K (File No's. 333-139815 and 333-176556).

Smythe LLP

Smythe LLP
Chartered Professional Accountants

Vancouver, Canada
March 29, 2022

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
600 – 19933 88 Ave
Langley, BC V2Y 4K5
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

EXHIBIT 31.1

CERTIFICATIONS

I, Daniel B. O’Brien, certify that:

1. I have reviewed this annual report on Form 10-K of Flexible Solutions International, Inc.;

2. Based on my knowledge, this report, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 29, 2022

/s/ Daniel B. O’Brien
Daniel B. O’Brien
Principal Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Daniel B. O'Brien, certify that:

1. I have reviewed this annual report on Form 10-K of Flexible Solutions International, Inc.;

2. Based on my knowledge, this report, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2022

/s/ Daniel B. O'Brien
Daniel B. O'Brien
Principal Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

Solely for the purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned Principal Executive and Financial Officer of Flexible Solutions International, Inc. (the “Company”), hereby certify that, to the best of my knowledge, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2022

/s/ Daniel B. O’Brien
Daniel B. O’Brien
Principal Executive and Principal Financial Officer