

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2021

OR

TRANSITION REPORT PURSUANT TO 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-31540

FLEXIBLE SOLUTIONS INTERNATIONAL INC.

(Exact Name of registrant as Specified in Its Charter)

Alberta (State or other jurisdiction of incorporation or organization)	71-1630889 (Employer Identification No.)
6001 54 Ave. Taber, Alberta, Canada (Address of Principal Executive Offices)	T1G 1X4 (Zip Code)

Registrant's telephone number: (403) 223-2995

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	FSI	NYSE American

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 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 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

Class of Stock	No. Shares Outstanding	Date
Common	12,327,246	November 15, 2021

FORM 10-Q

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are “forward-looking statements” for the purposes of the federal and state securities laws, including, but not limited to: any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words “may,” “could,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect” or “anticipate” or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by the federal securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include but are not limited to:

- Increased competitive pressures from existing competitors and new entrants;
- Increases in interest rates or our cost of borrowing or a default under any material debt agreement;
- Deterioration in general or regional economic conditions;
- Adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- Loss of customers or sales weakness;
- Inability to achieve future sales levels or other operating results;
- The unavailability of funds for capital expenditures;
- Operational inefficiencies in distribution or other systems.
- New tariffs relating to raw materials imported from China; and
- Impact of the COVID-19 virus

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(U.S. Dollars)

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>(Unaudited)</u>	
Assets		
Current		
Cash and cash equivalents	\$ 4,930,689	\$ 3,472,776
Term deposits	1,025,347	1,000,000
Accounts receivable (Note 4)	5,869,170	5,889,813
Inventory (Note 5)	10,739,258	8,372,476
Prepaid expenses	348,148	302,447
Total current assets	<u>22,912,612</u>	<u>19,037,512</u>
Property, equipment and leaseholds, net (Note 6)	5,186,746	5,142,041
Patents (Note 7)	17,808	30,137
Right of use assets (Note 3)	253,067	483,113
Intangible assets (Note 8)	2,644,000	2,776,000
Long term deposits (Note 9)	8,540	8,540
Investments (Note 10)	5,515,348	4,776,167
Goodwill (Note 8)	2,534,275	2,534,275
Deferred tax asset	299,603	299,603
Total Assets	<u>\$ 39,371,999</u>	<u>\$ 35,087,388</u>
Liabilities		
Current		
Accounts payable	\$ 1,073,883	\$ 558,105
Accrued liabilities	957,979	1,225,804
Deferred revenue	259,083	314,277
Income taxes payable	4,396,735	2,540,348
Short term line of credit (Note 11)	1,489,154	2,116,073
Current portion of lease liability (Note 3)	96,695	287,900
Current portion of long term debt (Note 12)	861,618	848,794
Total current liabilities	<u>9,135,147</u>	<u>7,891,301</u>
Lease liability (Note 3)	156,372	195,213
Deferred income tax liability	233,751	233,751
Long term debt (Note 12)	<u>1,712,338</u>	<u>2,998,844</u>
Total Liabilities	<u>11,237,608</u>	<u>11,319,109</u>
Stockholders' Equity		
Capital stock (Note 15)		
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:		
12,327,246 (December 31, 2020: 12,260,545) common shares	12,327	12,261
Capital in excess of par value	16,849,411	16,633,190
Other comprehensive loss	(783,837)	(872,121)
Accumulated earnings	<u>9,223,154</u>	<u>5,433,198</u>
Total stockholders' equity – controlling interest	<u>25,301,055</u>	<u>21,206,528</u>
Non-controlling interests (Note 16)	2,833,336	2,561,751
Total Stockholders' Equity	<u>28,134,391</u>	<u>23,768,279</u>
Total Liabilities and Stockholders' Equity	<u>\$ 39,371,999</u>	<u>\$ 35,087,388</u>

— See Notes to Unaudited Interim Condensed Consolidated Financial Statements —

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(U.S. Dollars — Unaudited)

	Three Months Ended September 30,	
	2021	2020
Sales	\$ 9,214,467	\$ 8,112,930
Cost of sales	5,718,082	5,597,513
Gross profit	<u>3,496,385</u>	<u>2,515,417</u>
Operating Expenses		
Wages	482,561	531,759
Administrative salaries and benefits	217,968	200,018
Insurance	204,340	125,739
Professional fees	83,033	57,654
Consulting	76,611	63,700
Office and miscellaneous	46,649	77,031
Interest expense	41,749	43,872
Travel	39,970	19,552
Advertising and promotion	33,456	40,171
Lease expense	28,336	115,348
Investor relations and transfer agent fee	20,761	18,268
Research	16,417	17,114
Telecommunications	12,277	10,174
Utilities	5,301	5,081
Shipping	3,634	2,246
Bad debt expense	2,000	-
Currency exchange	(13,050)	18,461
Commissions	(48,070)	1,683
Total operating expenses	<u>1,253,943</u>	<u>1,347,871</u>
Operating income	2,242,442	1,167,546
Gain on sale of asset	-	9,490
Gain on investment	92,445	121,184
Interest income	<u>35,475</u>	<u>13,583</u>
Income before income tax	2,370,362	1,311,803
Income taxes		
Income tax expense	(864,510)	(370,203)
Net income for the period including non-controlling interests	1,505,852	941,600
Less: Net income attributable to non-controlling interests	<u>(343,228)</u>	<u>(359,231)</u>
Net income attributable to controlling interest	\$ 1,162,624	\$ 582,369
Income per share (basic and diluted)	\$ 0.09	\$ 0.05
Weighted average number of common shares (basic)	12,324,539	12,240,545
Weighted average number of common shares (diluted)	<u>12,545,102</u>	<u>12,306,432</u>
Other comprehensive income (loss):		
Net income	1,505,852	941,600
Unrealized gain (loss) on foreign currency translations	(31,661)	56,670
Total comprehensive income	\$ 1,474,191	\$ 998,270
Comprehensive income – non-controlling interest	<u>(343,228)</u>	<u>(359,231)</u>
Comprehensive income attributable to Flexible Solutions International Inc.	<u>\$ 1,130,963</u>	<u>\$ 639,039</u>

— See Notes to Unaudited Interim Condensed Consolidated Financial Statements —

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(U.S. Dollars — Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Sales	\$ 25,374,615	\$ 24,252,023
Cost of sales	16,210,071	16,365,958
Gross profit	<u>9,164,544</u>	<u>7,886,065</u>
Operating Expenses		
Wages	1,482,036	1,561,119
Administrative salaries and benefits	663,978	597,581
Insurance	402,158	343,987
Consulting	225,151	199,013
Office and miscellaneous	184,352	191,004
Professional fees	177,008	166,634
Lease expense	158,579	350,592
Interest expense	155,078	199,947
Advertising and promotion	113,980	156,117
Travel	72,274	86,188
Investor relations and transfer agent fee	68,867	56,976
Research	50,639	57,290
Telecommunications	32,476	32,556
Currency exchange	20,776	(49,207)
Utilities	15,866	13,231
Shipping	10,897	9,595
Commissions	9,180	6,644
Bad debt expense	2,000	-
Total operating expenses	<u>3,845,295</u>	<u>3,979,267</u>
Operating income	5,319,249	3,906,798
PPP loan forgiveness	537,960	-
Gain on sale of assets	-	9,490
Gain on investment	491,681	660,601
Interest income	67,920	26,197
Income before income tax	<u>6,416,810</u>	<u>4,603,086</u>
Income taxes		
Income tax expense	(1,828,693)	(1,064,851)
Net income for the period including non-controlling interests	4,588,117	3,538,235
Less: Net income attributable to non-controlling interests	(798,161)	(558,324)
Net income attributable to controlling interest	\$ 3,789,956	\$ 2,979,911
Income per share (basic)	\$ 0.31	\$ 0.24
Income per share (diluted)	\$ 0.30	\$ 0.24
Weighted average number of common shares (basic)	12,312,503	12,239,633
Weighted average number of common shares (diluted)	<u>12,520,074</u>	<u>12,300,732</u>
Other comprehensive income (loss):		
Net income	4,588,117	3,538,235
Unrealized gain on foreign currency translations	88,284	26,804
Total comprehensive income	\$ 4,676,401	\$ 3,565,039
Comprehensive income – non-controlling interest	(798,161)	(558,324)
Comprehensive income attributable to Flexible Solutions International Inc.	<u>\$ 3,878,240</u>	<u>\$ 3,006,715</u>

— See Notes to Unaudited Interim Condensed Consolidated Financial Statements —

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. Dollars — Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Operating activities		
Net income for the period including non-controlling interests	\$ 4,588,117	\$ 3,538,235
Adjustments to reconcile net income to net cash:		
Stock based compensation	118,767	88,745
Depreciation and amortization	710,583	445,588
Bad debt expense	(2,000)	-
Increase (decrease) in deferred income tax	-	17,089
Lease right of use depreciation	230,046	256,695
Lease right of use financing	19,164	46,541
Gain on investment	(491,681)	(582,086)
PPP loan forgiveness	(537,960)	-
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	22,643	(1,346,271)
(Increase) decrease in inventory	(2,366,782)	2,280,074
Increase in prepaid expenses	(45,701)	(125,674)
Increase (decrease) in accounts payable and accrued liabilities	247,952	282,617
Increase in income taxes payable	1,856,387	600,825
Increase (decrease) in deferred revenue	(55,194)	51,989
Cash provided by operating activities	4,294,341	5,554,367
Investing activities		
Long term deposits	-	22,071
Investment	(500,000)	(1,000,000)
Proceeds of equity investment	252,500	479,527
Net purchase of property, equipment and leaseholds	(610,957)	(826,515)
Cash used in investing activities	(858,457)	(1,324,917)
Financing activities		
Repayment of short term line of credit	(626,919)	(749,600)
Loan repayments	(735,722)	(1,353,956)
Loan proceeds received	-	537,960
Lease financing costs	(249,210)	(303,236)
Convertible note	-	(500,000)
Partnership distributions	(526,577)	(304,137)
Proceeds of issuance of common stock	97,520	24,750
Cash used in financing activities	(2,040,908)	(2,648,219)
Effect of exchange rate changes on cash	88,284	24,672
Inflow of cash	1,483,260	1,605,903
Cash and cash equivalents, beginning	4,472,776	4,634,670
Cash and cash equivalents, ending	\$ 5,956,036	\$ 6,240,573
Cash and cash equivalents consists of:		
Cash	\$ 4,930,689	5,240,573
Term Deposits	1,025,347	1,000,000
	\$ 5,956,036	\$ 6,240,573
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ -	\$ 464,026
Interest paid	\$ 155,078	\$ 199,947

— See Notes to Unaudited Condensed Interim Consolidated Financial Statements —

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(U.S. Dollars – Unaudited)

	Shares	Capital Stock	Capital in Excess of Par Value	Accumulated Earnings	Other Comprehensive Income (Loss)	Total	Non- Controlling Interests	Total Stockholders' Equity
Balance December 31, 20	12,260,545	\$12,261	\$16,633,190	\$ 5,433,198	\$ (872,121)	\$21,206,528	\$ 2,561,751	\$ 23,768,279
Translation adjustment	—	—	—	—	82,352	82,352	—	82,352
Net income	—	—	—	1,450,571	—	1,450,571	186,484	1,637,055
Common stock issued	55,201	55	76,305	—	—	76,360	—	76,360
Distributions to non-controlling interests	—	—	—	—	—	—	(157,952)	(157,952)
Stock-based compensation	—	—	39,589	—	—	39,589	—	39,589
Balance March 31, 2021	12,315,746	\$12,316	\$16,749,084	\$ 6,833,769	\$ (789,769)	\$22,855,400	\$ 2,590,283	\$ 25,445,683
Translation adjustment	—	—	—	—	37,593	37,593	—	37,593
Net income	—	—	—	1,176,761	—	1,176,761	268,449	1,445,210
Distributions to non-controlling interests	—	—	—	—	—	—	(151,714)	(151,714)
Stock-based compensation	—	—	39,141	—	—	39,141	—	39,141
Balance June 30, 2021	12,315,746	\$12,316	\$16,788,225	\$ 8,060,530	\$ (752,176)	\$24,108,895	\$ 2,707,018	\$ 26,815,913
Translation adjustment	—	—	—	—	(31,661)	(31,661)	—	(31,661)
Net income	—	—	—	1,162,624	—	1,162,624	343,228	1,505,852
Common stock issued	11,500	11	21,149	—	—	21,160	—	21,160
Distributions to non-controlling interests	—	—	—	—	—	—	(216,910)	(216,910)
Stock-based compensation	—	—	40,037	—	—	40,037	—	40,037
Balance September 30, 2021	12,327,246	\$12,327	\$16,849,411	\$ 9,223,154	\$ (783,837)	\$25,301,055	\$ 2,833,336	\$ 28,134,391

— See Notes to Unaudited Condensed Interim Consolidated Financial Statements —

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(U.S. Dollars – Unaudited)

	Shares	Capital Stock	Capital in Excess of Par Value	Accumulated Earnings	Other Comprehensive Income (Loss)	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	—	—	—	—	(98,928)	(98,928)	—	(98,928)
Net income	—	—	—	1,264,675	—	1,264,675	67,015	1,331,690
Common stock issued	25,000	25	24,725	—	—	24,750	—	24,750
Distributions to non-controlling interests	—	—	—	—	—	—	(143,002)	(143,002)
Stock-based compensation	—	—	29,582	—	—	29,582	—	29,582
Balance March 31, 2020	12,240,545	\$12,241	\$16,491,780	\$ 3,720,823	\$ (1,093,538)	\$19,131,306	\$ 2,474,162	\$ 21,605,468
Translation adjustment	—	—	—	—	69,062	69,062	—	69,062
Net income	—	—	—	1,132,867	—	1,132,867	132,078	1,264,945
Distributions to non-controlling interests	—	—	—	—	—	—	(54,238)	(54,238)
Stock-based compensation	—	—	29,108	—	—	29,108	—	29,108
Balance June 30, 2020	12,240,545	\$12,241	\$16,520,888	\$ 4,853,690	\$ (1,024,476)	\$20,362,343	\$ 2,552,002	\$ 22,914,345
Translation adjustment	—	—	—	—	56,670	56,670	—	56,670
Net income	—	—	—	582,369	—	582,369	359,231	941,600
Distributions to non-controlling interests	—	—	—	—	—	—	(106,898)	(106,898)
Stock-based compensation	—	—	30,055	—	—	30,055	—	30,055
Balance September 30, 2020	12,240,545	\$12,241	\$16,550,943	\$ 5,436,059	\$ (967,806)	\$21,031,437	\$ 2,804,335	\$ 23,835,772

— See Notes to Unaudited Condensed Interim Consolidated Financial Statements —

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Period Ended September 30, 2021
(U.S. Dollars — Unaudited)

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 Realty, LLC (“ENP Realty”). 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, a wholly-owned subsidiary of the Company, 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. 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.

These unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements. These unaudited interim financial statements are condensed and do not include all disclosures required for annual financial statements. The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the Company’s audited consolidated financial statements filed as part of the Company’s December 31, 2020 Annual Report on Form 10-K. This quarterly report should be read in conjunction with such annual report.

In the opinion of the Company’s management, these unaudited interim condensed consolidated financial statements reflect all adjustments, all of which are of normal recurring nature, necessary to present fairly the Company’s consolidated financial position at September 30, 2021, the consolidated results of operations for the three and nine months ended September 30, 2021 and 2020, the consolidated statements of cash flows for the nine months ended September 30, 2021 and 2020 and the consolidated statements of stockholders’ equity for the nine months ended September 30, 2021 and 2020. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results to be expected for the entire fiscal year.

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 of America 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. Cost is determined on a first-in, first-out basis or weighted average cost formula 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 for the three and nine months ended September 30th (Nine months ended 2021 - \$362,035; 2020 - \$339,560;). Shipping and handling costs incurred are included in cost of sales for the three and nine months ended September 30th (Nine months ended 2021 - \$855,717; 2020 - \$837,825).

(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
Right of Use Assets	Straight-line over lease term
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 operations 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 17.

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 three and nine months ended September 30, 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 and warrants, 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, 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 approximate 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.

Per 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 September 30, 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 \$11,236,707 (44%) for the nine months ended September 30, 2021 (2020 - \$10,925,243 or 45%). Accounts receivable for the Company's three primary customers for the nine months ended September 30, 2021 totaled \$2,099,564 (36%) at September 30, 2021 (December 31, 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 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 operations 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 three or nine months ended September 30, 2021.

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 nine months ended September 30, 2021:

	<u>September 30, 2021</u>
<u>Right of Use Assets</u>	
Balance at December 31, 2020	\$ 483,113
Depreciation	(230,046)
Balance at September 30, 2021	<u>\$ 253,067</u>
<u>Lease Liability</u>	
Balance at December 31, 2020	\$ 483,113
Lease interest expense	19,164
Payments	(249,210)
Balance at September 30, 2021	<u>\$ 253,067</u>
Short-term portion	\$ 96,695
Long-term portion	<u>156,372</u>
Total	<u>\$ 253,067</u>

Undiscounted rent payments for the next five years are as follows:

2021	\$ 38,690
2022	67,320
2023	66,180
2024	59,520
2025	<u>61,020</u>
Total	\$ 292,730
Impact of discounting	<u>(39,663)</u>
Lease liability, September 30, 2021	<u>\$ 253,067</u>

4. ACCOUNTS RECEIVABLE.

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 6,142,581	\$ 6,161,249
Allowances for doubtful accounts	(273,411)	(271,436)
	<u>\$ 5,869,170</u>	<u>\$ 5,889,813</u>

5. INVENTORY.

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Completed goods	\$ 3,371,536	\$ 3,393,794
Work in progress	150,901	152,595
Raw materials and supplies	7,216,821	4,826,087
	<u>\$ 10,739,258</u>	<u>\$ 8,372,476</u>

6. PROPERTY, PLANT & EQUIPMENT.

	September 30, 2021 Cost	Accumulated Depreciation	September 30, 2021 Net
Buildings	\$ 4,801,701	\$ 2,945,618	\$ 1,856,083
Automobiles	196,255	62,290	133,965
Computer hardware	43,592	42,323	1,269
Furniture and fixtures	112,619	104,138	8,481
Manufacturing equipment	6,732,866	4,009,855	2,723,011
Boat	34,400	25,777	8,623
Office equipment	1,863	1,104	759
Trailer	9,416	7,288	2,128
Leasehold Improvements	88,872	88,705	167
Land	452,260	-	452,260
Technology	107,226	107,226	-
	<u>\$ 12,581,070</u>	<u>\$ 7,294,324</u>	<u>\$ 5,186,746</u>

	December 31, 2020 Cost	Accumulated Depreciation	December 31, 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
	<u>\$ 11,982,741</u>	<u>\$ 6,840,700</u>	<u>\$ 5,142,041</u>

Amount of depreciation expense for nine months ended September 30, 2021: \$566,254 (2020: \$301,259) and is included in cost of sales in the consolidated statements of operations and comprehensive income.

7. PATENTS.

In fiscal 2005, the Company started the patent process for additional WATER\$AVR® products. Patents associated with these costs were granted in 2006 and they have been amortized over their legal life of 17 years.

	September 30, 2021 Cost	Accumulated Amortization	September 30, 2021 Net
Patents	\$ 208,078	\$ 190,270	\$ 17,808

	December 31, 2020 Cost	Accumulated Amortization	December 31, 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 - \$12,329 (2020 - \$12,329)

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

2021	\$ 16,437
2022	13,700

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill	
Balance as of December 31, 2019	\$ 2,534,275
Additions	-
Impairment	-
Balance as of December 31, 2020 and September 30, 2021	<u>\$ 2,534,275</u>

Indefinite Life Intangible Assets	
Balance as of December 31, 2019	\$ 770,000
Additions	-
Impairment	-
Balance as of December 31, 2020 and September 30, 2021	<u>\$ 770,000</u>

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	<u>(176,000)</u>
Balance as of December 31, 2020	2,006,000
Amortization	<u>(132,000)</u>
Balance as of September 30, 2021	<u>\$ 1,874,000</u>

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

2020	\$ 176,000
2021	176,000
2022	160,000
2023	160,000
2024	160,000

9. LONG TERM DEPOSITS

Long term deposits consist of damage deposits held by landlords and security deposits held by various vendors.

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Long term deposits	\$ 8,540	\$ 8,540

10. INVESTMENTS

(a) The Company has a 50% ownership interest in ENP Peru Investments LLC (“ENP Peru”), which was acquired in fiscal 2016. 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	<u>1,498</u>
Balance, December 31, 2020	3,822
Return of equity	(3,822)
Gain in equity method investment	-
Balance, September 30, 2021	<u><u>\$ -</u></u>

Summarized profit and loss information related to the equity accounted investment is as follows for the full year:

	<u>2020</u>
Net sales	\$ 295,800
Net income	\$ 2,996

During the nine months ended September 30, 2021, the Company received \$23,678 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.

(b) In fiscal 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 was renamed ENP Mendota and 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 Mendota 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	<u>\$ 63,165</u>
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:	<u>196,506</u>
Gain on acquisition of ENP Realty	<u><u>\$ 133,341</u></u>

The income tax expense arising from the deferred income tax liability was net against gain on acquisition of ENP Realty in the consolidated statements of operations and comprehensive income for the full year ended December 31, 2020.

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 September 30, 2021	<u>\$ -</u>

Summarized profit and loss information related to the equity accounted investment is as follows for the full year:

	<u>2019</u>
Net sales	\$ 75,870
Net income	\$ 34,200

(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 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 323, *Investments – Equity Method and Joint Ventures* (ASC 323), the Company has elected to account for this investment at cost.

(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 ASC 323, 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	<u>3,572,345</u>
Gain in equity method investment	468,003
Return of equity	(225,000)
Balance, September 30, 2021	<u>\$ 3,815,348</u>

Further to the original investment amount, the Company had placed \$1,000,000 in trust, which was released upon the Florida based LLC reaching a milestone related to earnings before interest, taxes and depreciation ("EBITDA") targets. This amount was accounted for as restricted cash on the balance sheet as at December 31, 2019. During the year ended December 31, 2020, this amount was released. 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 milestones during the year. Summarized profit and loss information related to the equity accounted investment is as follows:

	<u>Nine months ended</u>	<u>Nine months ended</u>
	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Net sales	\$ 7,103,337	\$ 8,024,786
Gross profit	2,630,168	3,251,607
Net income	\$ 936,005	\$ 1,164,174

During the nine months ended September 30, 2021, the Company had sales of \$4,428,663 (2020 - \$4,773,970) to the Florida Based LLC, of which \$443,169 is included within Accounts Receivable as at September 30, 2021 (2020 - \$1,186,839).

f) In December 2020, the Company invested \$500,000 in Lygos Inc., a privately held entity. 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. Upon reaching a predetermined milestone, a further payment of \$500,000 was made in June 2021. A summary of the Company's investment follows:

Balance, January 1, 2020	\$	-
Acquisition		500,000
Balance, December 31, 2020		<u>500,000</u>
Additional payment		500,000
Balance, September 30, 2021	\$	<u><u>1,000,000</u></u>

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 3.25% and a balance of \$1,641,085 at December 31, 2019. 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 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 September 30, 2021 is 4.25% (December 31, 2020 – 4.5%).

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 \$1,625,000. As of September 30, 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 September 30, 2021 were \$nil (December 31, 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 September 30, 2021 is 3.75% (December 31, 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 September 30, 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 September 30, 2021 were \$1,489,154 (December 31, 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 (June 30, 2020 – 3.25%) 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 six months ended June 30, 2020 was \$50,590. This loan was paid in October 2020 upon opening of credit facilities at Midland. The balance owing at September 30, 2020 was \$1,977,381.

(b) In April 2019, NanoChem signed a loan for \$1,100,000 with Harris with a rate of prime plus 0.5% (December 31, 2019 – 5.25%) 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 (2019 – \$36,333). This loan was paid in October 2020 upon opening of credit facilities at Midland. The balance owing at September 30, 2020 was \$916,667.

(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 nine months ended September 30, 2021 was \$2,788 (2020 - \$5,860). The principal balance owing at September 30, 2021 is \$nil (December 31, 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 off 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 SBA and has been recorded as Other Income of the condensed interim consolidated statements of operations and comprehensive income for the nine month period ended September 30, 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 SBA and has been recorded as Other Income of the condensed interim consolidated statements of operations and comprehensive income for the nine month period ended September 30, 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 expense for the nine ended September 30, 2021 was \$53,776 (2020 - \$nil). The balance owing at September 30, 2021 is \$1,647,179 (December 31, 2020 - \$1,920,976).

The Company has committed to the following repayments:

2021	\$	368,332
2022	\$	382,705
2023	\$	397,414
2024	\$	413,516
2025	\$	359,009

(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 nine ended September 30, 2021 was \$20,301 (2020 - \$nil). The balance owing at September 30, 2021 is \$493,532 (December 31, 2020 - \$822,380).

2021	\$	441,260
2022	\$	381,120

(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 nine ended September 30, 2021 was \$14,339 (2020 - \$8,843). The balance owing at September 30, 2021 is \$433,245 (December 31, 2020 - \$440,779).

As of September 30, 2021, Company was in compliance with all loan covenants.

Continuity	September 30, 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	(735,722)	(4,395,915)
Balance, end of period	\$ 2,573,956	\$ 3,847,638

Outstanding balance	September 30, 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	1,647,179	1,920,976
h) Long term debt – Midland States Bank	493,532	822,380
i) Long term debt – Stock Yards Bank & Trust	433,245	440,779
Long-term Debt	2,573,956	3,847,638
Less: current portion	(861,618)	(848,794)
	\$ 1,712,338	\$ 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. 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 year ended December 31, 2020 and the nine month period ended September 30, 2021:

	<u>Number of shares</u>	<u>Exercise price per share</u>	<u>Weighted average exercise price</u>
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
Cancelled or expired	(29,799)	\$ 1.42 – 3.46	\$ 2.45
Exercised	(66,701)	\$ 0.75 – 3.46	\$ 1.60
Balance, September 30, 2021	652,500	\$ 1.42 – 4.13	\$ 2.50
Exercisable, September 30, 2021	411,500	\$ 1.42 – 4.13	\$ 2.66

The weighted average remaining contractual life of options outstanding is 3.6 years.

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

	<u>2021</u>
Expected life – years	3.0
Interest rate	0.37%
Volatility	70.14%
Weighted average fair value of options granted	\$ 1.12

The Company did not grant any options during the nine months ended September 30, 2021 or 2020. Options granted in previous quarters resulted in expenses in the amount of \$39,196 for consultants (2020 - \$33,816) and \$79,571 for employees (2020 - \$54,929) during the nine months ended September 30, 2021. There were 33,500 employee and 33,201 consultant stock options exercised during the nine months ended September 30, 2021 (2020 – 15,000 employee and 10,000 consultant stock options).

As of September 30, 2021, there was approximately \$48,573 of compensation expense related to non-vested awards. This expense is expected to be recognized over a weighted average period of 6 months.

The aggregate intrinsic value of vested options outstanding at September 30, 2021 is \$388,460 (2020 – \$nil).

15. CAPITAL STOCK.

During the nine months ended September 30, 2021, 33,500 shares were issued upon the exercise of employee stock options (2020 – 15,000) and 33,201 shares were issued upon the exercise of consultant stock options (2020 – 10,000).

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

16. 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 Realty, now 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 TPA 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 \$1,620,568.

Balance, December 31, 2019	\$ 2,550,149
Distribution	(594,882)
Non-controlling interest share of income	606,484
Balance, December 31, 2020	<u>2,561,751</u>
Distribution	(526,576)
Non-controlling interest share of income	798,161
Balance, September 30, 2021	<u>\$ 2,833,336</u>

During the nine months ended September 30, 2021, the Company had sales of \$4,014,063 (2020 - \$3,551,972) to the party that holds 35% interest in ENP Investments, of which \$1,439,413 is included within Accounts Receivable as of September 30, 2021 (2020 – \$1,669,908).

17. 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 blanket 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 blanket and which is designed to be used in still or slow moving drinking water sources.

(b) Biodegradable polymers and chemical additives used within the petroleum, chemical, utility and mining industries to prevent corrosion and scaling in water piping (as shown under the column heading “TPA” below). These chemical additives are also manufactured for use in laundry and dish detergents, as well as in products to reduce levels of insecticides, herbicides and fungicides.

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.

Three months ended September 30, 2021:

	EWCP	TPA	Total
Revenue	\$ 97,307	\$ 9,117,160	\$ 9,214,467
Interest expense	-	41,749	41,749
Depreciation and amortization	10,052	220,681	230,733
Income tax expense	-	758,924	758,924
Segment profit (loss)	(273,239)	1,541,449	1,268,210
Segment assets	1,880,310	37,491,689	39,371,999
Expenditures for segment assets	-	(158,231)	(158,231)

Three months ended September 30, 2020:

	EWCP	TPA	Total
Revenue	\$ 101,215	\$ 8,011,715	\$ 8,112,930
Interest expense	-	43,872	43,872
Depreciation and amortization	10,531	145,555	156,086
Income tax expense	-	370,203	370,203
Segment profit (loss)	(64,945)	647,314	582,369
Segment assets	838,177	33,543,805	34,381,982
Expenditures for segment assets	-	(265,379)	(265,379)

Nine months ended September 30, 2021:

	EWCP	TPA	Total
Revenue	\$ 336,152	\$ 25,038,463	\$ 25,374,615
Interest expense	-	155,078	155,078
Depreciation and amortization	30,238	680,345	710,583
Income tax expense	-	1,723,107	1,723,107
Segment profit (loss)	(443,375)	4,233,331	3,789,956
Segment assets	1,880,310	37,491,689	39,371,999
Expenditures for segment assets	-	(610,959)	(610,959)

Nine months ended September 30, 2020:

	EWCP	TPA	Total
Revenue	\$ 311,376	\$ 23,940,647	\$ 24,252,023
Interest expense	-	199,947	199,947
Depreciation and amortization	31,294	414,294	445,588
Income tax expense	19,170	1,045,681	1,064,851
Segment profit (loss)	(135,417)	3,115,328	2,979,911
Segment assets	838,177	33,543,805	34,381,982
Expenditures for segment assets	-	(826,515)	(826,515)

The sales generated in the United States and Canada are as follows:

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Canada	\$ 350,004	\$ 373,863
United States and abroad	25,024,611	23,878,160
Total	<u>\$ 25,374,615</u>	<u>\$ 24,252,023</u>

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:

	September 30, 2021	December 31, 2020
Canada	\$ 419,049	\$ 445,663
United States	10,216,847	10,519,903
Total	<u>\$ 10,635,896</u>	<u>\$ 10,965,566</u>

Three primary customers accounted for \$11,236,707 (44%) of sales during nine months ended September 30, 2021 (2020 - \$10,925,243 or 45%).

18. COMPARATIVE FIGURES.

Certain of the comparative figures have been reclassified to conform with the current period's presentation.

19. SUBSEQUENT EVENTS

In October, 2021, the Company sold the 3 acres of vacant land in Taber, Canada for \$274,715 (\$350,000 CAD).

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

The Company manufactures and markets biodegradable polymers which are used in the oil, gas and agriculture industries. The Company also develops, manufactures and markets specialty chemicals that slow the evaporation of water.

Results of Operations

The Company has two 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 used 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 made and sold by our TPA division.

Material changes in the Company’s Statement of Operations for the nine and three months ended September 30, 2021 are discussed below:

Nine Months ended September 30, 2021

<u>Item</u>	<u>Increase (I) or Decrease (D)</u>	<u>Reason</u>
Sales		
EWCP products	I	Increased customer orders.
TPA products	I	Increased customer orders.
Lease expense	D	The purchase of ENP Realty by ENP Investments reduced lease expense.
Travel	D	Travel decreased due to COVID-19.
Currency exchange	I	Currency exchange increased as a result of 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.

Three months ended September 30, 2021

Item	Increase (I) or Decrease (D)	Reason
Sales		
EWCP products	D	Decreased customer orders.
TPA products	I	Increased customer orders.
Advertising and promotion	D	The COVID virus prevented trade shows from occurring.
Insurance expense	I	Increase in this quarter due to misclassification at June 30, 2021 of \$50,780 with commission expense.
Commissions	D	Decrease in this quarter due to misclassification at June 30, 2021 of \$50,780 with insurance expense.
Lease expense	D	The purchase of ENP Realty by ENP Investments reduced lease expense.
Travel	I	Travel decreased in 2020 due to COVID-19.
Currency exchange	D	Currency exchange decreased as a result of 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.

Three customers accounting for 47% of our sales during the three months ended September 30, 2021 (2020 – 49%) and 44% of our sales during the nine months ended September 30, 2021 (2020 - 45%). The amount of revenue attributable to each customer is shown below.

Customer	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
A	\$ 483,758*	\$ 627,417*	\$ 939,038*	\$ 2,599,300
B	\$ 1,723,308	\$ 1,810,739	\$ 4,014,063	\$ 3,551,972
C	\$ 1,332,410	\$ 1,301,520	\$ 4,428,663	\$ 4,773,970
D	\$ 1,309,832	\$ 166,557*	\$ 2,793,980	\$ 1,060,215*
E	\$ 761,308*	\$ 842,645	\$ 2,076,321*	\$ 1,508,797*

*not a primary customer in that period

Customers with balances greater than 10% of our receivables as of September 30, 2021 and 2020 are shown below:

	September 30,	
	2021	2020
Company B	1,439,413	1,669,908
Company C	443,169*	1,186,839
*less than 10%		

Other 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 products. 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 products to oil and gas companies;
- drought conditions, since we also sell our TPA products to farmers; and
- the impact of the 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

The Company's sources and (uses) of cash for the nine months ended September 30, 2021 and 2020 are shown below:

	2021	2020
Cash provided by operations	4,294,341	5,554,367
Long term deposits	-	22,071
Investment	(500,000)	(1,000,000)
Proceeds of equity investment	252,500	479,527
Purchase of equipment	(610,957)	(826,515)
Repayments of short term line of credit	(626,919)	(749,600)
Repayments of loans	(735,722)	(1,353,956)
Loan proceeds received	-	537,960
Lease financing costs	(249,210)	(303,236)
Repayment of convertible note	-	(500,000)
Distributions to non-controlling interest	(526,577)	(304,137)
Proceeds from issuance of common stock	97,520	24,750
Changes in exchange rates	88,284	24,672

The Company has sufficient cash resources to meet its future commitments and cash flow requirements for the coming year. As of September 30, 2021, working capital was \$13,777,465 (December 31, 2020 - \$11,146,211) and the Company has no substantial commitments that require significant outlays of cash over the coming fiscal year.

The Company is committed to minimum rental payments for property and premises aggregating \$641,464 over the term of five leases, the last expiring on September 30, 2023.

Commitments in the next four years are as follows:

2020	\$	119,488
2021	\$	357,896
2022	\$	93,155
2023	\$	70,925

Other than as disclosed above, the Company does not anticipate any capital requirements for the twelve months ending December 31, 2021.

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

Other than as disclosed above, the Company does not know of any significant changes in its expected sources and uses of cash.

The Company does not have any commitments or arrangements from any person to provide it with any equity capital.

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

Item 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Under the direction and with the participation of our management, including our Principal Executive and Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2021. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports with the Securities and Exchange Commission 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 and 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 desired disclosure control objectives. Based on the evaluation, our Principal Executive and Financial Officer concluded that these disclosure controls and procedures are effective as of September 30, 2021.

Changes in Internal Control over Financial Reporting

Our management, with the participation of our Principal Executive and Financial Officer, evaluated whether any change in our internal control over financial reporting occurred during the three months ended September 30, 2021. Based on that evaluation, it was concluded that there has been no change in our internal control over financial reporting during the three months ended September 30, 2021 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 6. Exhibits.

Number	Description
3.1	Amended and Restated Certificate of Incorporation of the registrant. (1)
3.2	Bylaws of the registrant. (1)
31.1	<u>Certification of Principal Executive Officer Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*</u>
31.2	<u>Certification of Principal Financial Officer Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*</u>
32.1	<u>Certification of Principal Executive and Financial Officer Pursuant to 18 U.S.C. §1350 and §906 of the Sarbanes-Oxley Act of 2002.*</u>
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)

* Filed with this report.

(1) Incorporated by reference to the registrant's Registration Statement on Form 10-SB (SEC File No. 000-29649) filed February 22, 2000.

SIGNATURES

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

November 15, 2021

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.

By: */s/ Daniel B. O'Brien*

Name: Daniel B. O'Brien

Title: President and Principal Executive Officer

By: */s/ Daniel B. O'Brien*

Name: Daniel B. O'Brien

Title: Principal Financial and Accounting Officer

Exhibit 31.1**CERTIFICATIONS**

I, Daniel O'Brien, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 this 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 cause 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 the 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 significant role in the registrant's internal control over financial reporting.

November 15, 2021

/s/ Daniel B. O'Brien

Daniel O'Brien
Principal Executive Officer

Exhibit 31.2**CERTIFICATIONS**

I, Daniel O'Brien, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 this 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 cause 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 the 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 significant role in the registrant's internal control over financial reporting.

November 15, 2021

/s/ Daniel B. O'Brien

Daniel 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 Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 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.

November 15, 2021

/s/ Daniel B. O'Brien

Daniel B. O'Brien

Principal Executive and Financial Officer
