

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

FORM 10QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30th 2001

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number _____

FLEXIBLE SOLUTIONS INTERNATIONAL INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization) _____ NONE
(IRS Employer Identification No.)

2614 Queenswood Dr. Victoria BC Canada V8N 1X5
(Address of principal executive offices)

(Issuer's telephone number) (250) 477 - 9969

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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12,13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes[] No[]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:
Common stock \$.001 par value 9 233 836 shares as of June 30th 2001.

Transitional Small Business Disclosure Format (Check one): Yes [] No [X]

PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

Attached hereto and incorporated herein by reference.

Item 2. MANagements Discussion and Analysis of Financial Condition and Results of Operations

The following information contains certain forward looking statements that anticipate future trends or events. These statements are based on certain assumptions that may prove to be erroneous and are subject to certain risks including but not limited to the risks of increased competition in the Company's industry and other risks detailed in the Company's Securities and Exchange Commission filings. Accordingly, actual results may differ, possibly materially, from the predictions contained herein.

During the three months ended June 30th 2001, the Company experienced a net after tax income of \$145,885 as compared to income of \$175,046 for the three months ended June 30th 2000. The decrease was due to an increase in unit costs which were not offset by price increases to our customers. During this period the Company hired additional personnel, expanded corporate headquarters and increased production. The overall result was a net income of \$145,885 for the second quarter of fiscal 2001 and a net income for the first six months of fiscal 2001 of \$246,879.

RESULTS OF OPERATIONS

Reference is made to Item 2, "Management's Discussion and Analysis" included in the Company's registration

statement on Form 10-SB for the year ended December 31st 1999, as amended, on file with the Securities and Exchange Commission. The following analysis and discussion pertains to the Company's results of operations for the three month and six month periods ended June 30th 2001, compared to the results of operations for the three month and six month periods ended June 30th 2000, and to changes in the Company's financial condition from December 31st 2000 to June 30th 2001.

THREE MONTHS ENDED June 30th 2001 and 2000

For the second quarter of the current fiscal year ending June 30th 2001, sales were \$808,025 compared to \$539,858 for the same quarter of the previous year. The increase in sales were as a result of our distributors selling to more retail outlets in more geographic areas and selling larger quantities to older accounts.

Operating expenses were \$112,890 for the second quarter, up from \$91,520 for the second quarter of last year. This is as a result of increased costs in all categories of expenses due to the significant expansion in sales. The largest increases were in the areas of wages (\$40,889), sub-contracting fees (\$12,215) and administrative (\$18,638).

The net income for the quarter was \$145,885 which represents a decrease over second quarter last year when the net income was \$175,047. The decrease in income was a result of increased cost per unit of sales without a coincident wholesale price raise for finished goods. As well, a proportion of the increased wage and administrative costs were associated with increased research and development of new products.

The earnings per share (fully diluted) was \$0.02 for the three months ended June 30th 2001 compared to \$0.02 for the three months ended June 30th 2000.

SIX MONTHS ENDED June 30th 2001

Sales in the first six months ended June 30th 2001 were \$1,159,472 compared to \$800,186 for the six months ended June 30th 2000. As was the case for the three months ended June 30th 2001 the increase in sales were a result of increased numbers of customers and increased sales per customer.

Operating expenses for the Company were \$188,689 for the six months ended June 30th 2001 up from \$158,496 for the six months ended June 30th 2000. The increase in operating expenses in virtually every category are a result of greatly increased production and sales by the Company.

The net income for the six months ended June 30th 2001 was \$246,879 compared to a net income of \$202,081 for the six

months ended June 30th 2000. The increase in income was due to the increase in total sales for the six month period ended June 30th 2001.

The earnings per share (fully diluted) was \$0.03 for the six month period ended June 30th 2001 compared to \$0.02 for the six month period ended June 30th 2000.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has financed its cash flow requirements through retained earnings from sales. Cash provided by net earnings which occurred during the six months ended June 30th was \$246,849. This resulted in a total cash and cash equivalent position of \$574,633 at the end of the period.

As of June 30th 2001 the Company had working capital of \$574,633 which represented an increase of \$181,261 as compared to the working capital of June 30th 2000. The increase was a result of retained earnings from the six month period ending June 30th 2001 less the losses from third quarter 2000 plus the earnings from fourth quarter 2000 .

The Company has no external sources of liquidity in the form of credit lines from banks.

Management believes that its available cash will be sufficient to fund the Company's working capital requirements through December 31st 2001. Management further believes that available cash will be sufficient to implement the Company's expansion plans. No investment banking agreements are in place and there is no guarantee that the Company will be able to raise capital in the future should that become necessary.

IMPACT OF THE YEAR 2000 ISSUE

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the company including those related to customers, suppliers, or other third parties, have been fully resolved.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS:

The Company does not have any derivative financial instruments as of June 30th 2001. However, the Company is exposed to interest rate risk.

The Company's interest income and expense are most sensitive to changes in the general level of U.S. and Canadian interest rates. In this regard, changes in U.S. and Canadian interest rates affect the interest paid on the Company's cash equivalents as well as the interest paid on debt.

FOREIGN CURRENCY RISK

The Company operates primarily in Canada. Therefore, the Company's business and financial condition is sensitive to currency exchange rates or any other restriction imposed on its currency.

Part II - OTHER INFORMATION

- Item 1. Legal proceedings - None
- Item 2. Changes in Securities - On May 1st 2001 options to buy 2500 common shares were exercised at a price of \$.25 each for proceeds to the company of \$625.
- Item 3. Default upon Senior Securities - None
- Item 4. Submission of Matters to a Vote of Securities Holders - None
- Item 5. Other Information - None
- Item 6.(a) Exhibit 27 - Financial Data Schedule
- Item 6.(b) Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

FLEXIBLE SOLUTIONS INTERNATIONAL INC.
(Registrant)

Dated: August 10 2001

/s/ Dan O'Brien, President and Director

FLEXIBLE SOLUTIONS INTERNATIONAL INC.

Consolidated Balance Sheets (Un-audited)

June 30, 2001

(U.S. Dollars)

	2001	2000
Assets		
Current		
Cash	\$153,109	\$156,057
Accounts receivable (note 4)	540,844	301,837
Note receivable	25,000	0
Inventory	86,836	72,009
Income Tax Installments	42,745	0
Prepaid expenses	3,459	642
Total Current Assets	851,993	530,545
Property and Equipment (note 5)	66,289	50,276
Total Assets	\$918,282	\$580,821
Liabilities		
Current		
Accounts payable	64,419	12,978
Accrued liabilities	61,628	20,080
Income tax payable	151,313	104,115
Total Current Liabilities	277,360	137,173
Stockholders' Equity		
Capital Stock		
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		
9,231,316 Common shares	9,233	9,131
Capital in Excess of Par Value	164,378	163,653
Other Comprehensive Income (Loss)	5,107	(7,673)
Retained Earnings	462,205	278,537
	640,923	443,648
Total Liabilities and Stockholders' Equity	\$918,283	\$580,821

FLEXIBLE SOLUTIONS INTERNATIONAL INC.
Consolidated Statement of Operations (Un-audited)
Quarters Ended June 30, 2001

(U.S. Dollars)

	2001	2000
Sales	\$808,025	\$539,858
Cost of Sales (Exclusive of Depreciation)	459,836	183,116
Gross Profit	348,189	356,742
Operating Expenses		
Wages	47,564	40,889
Administrative salaries and benefits	18,638	0
Advertising	1,308	0
Professional fees	15,797	15,342
Subcontracting	4,987	12,215
Shipping	3,850	4,670
Rent	6,683	3,740
Travel	1,414	2,798
Office	2,209	2909
Telephone	2193	1522
Commission	266	968
Stock promotion	2,737	0
Miscellaneous	1,706	3,793
Water\$avr	654	0
Depreciation	2,884	2,674
	112,890	91,520
Income Before Income Tax	235,299	265,222
Income Tax	89,414	90,175
Net Income	\$145,885	\$175,047
Net Income Per Share	\$0.02	\$0.02
Weighted Average Number of Shares	9,232,966	9,131,316

FLEXIBLE SOLUTIONS INTERNATIONAL INC.
Consolidated Statement of Cash Flow (Un-audited)
Quarter Ended March 31
(U.S. Dollars)

	2001	2000
Operating Activities		
Net income	\$145,885	\$175,045
provided by (used in) operating activities		
Depreciation	2,884	2,674
Changes in non-cash working capital		
Accounts receivable	(129,721)	(73,277)
Notes receivable	0	0
Inventory	33,151	60,549
Income Tax Installments	(42,745)	0
Prepaid expenses	(965)	(642)
Accounts payable	49,261	(43,828)
Accrued liabilities	61,628	20,080
Income tax payable	(1,184)	30,467
Cash provided (Used in) Operating Activities	118,194	171,068
Investing Activities		
Acquisitions and Equipment	(8,763)	(296)
Effect of Exchange Rate Changes on Cash	8,099	(18,124)
Inflow (Outflow) of Cash	117,530	152,648
Cash, Beginning of Quarter	35,579	3,409
Cash, End of Quarter	\$153,109	\$156,057

Notes to Financial Statements:

Foreign Currency - Flexible Solutions functions using the Canadian dollar. Translation to US dollars for reporting is done at the average exchange rates during the year. Losses and gains arising from currency translation are disclosed as other comprehensive income (loss) in shareholders equity.

Estimates - The preparation of consolidated financial statements requires management to make estimates that affect the reported assets and liabilities at the date of the statements. Actual results could differ.

Inventory - Inventory is valued at the lower of cost or net realizable value. Cost is determined on a first in-first out basis.

Property and Equipment - Property and equipment are recorded at cost and depreciated using the declining balance with the following annual rates:

Manufacturing equipment	20%
Trailer	30%
Computer hardware	30%
Furniture and Fixtures	20%
Office equipment	20%

Revenue Recognition - Revenue is recognized when product is shipped. Returns have been insignificant since the Company's inception, therefore no allowance has been established for product returns.

Financial instruments - The Company's instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Management opines that there are no significant currency or credit risks from these instruments.

Income (loss) per share calculation - Calculated by dividing net income by the weighted average number of shares outstanding.

Accounts Receivable - No provision has been made for uncollectible accounts. Management believes all are collectible.