

FLEXIBLE SOLUTIONS INTERNATIONAL INC.**Consolidated Balance Sheets**

December 31/2000

(U.S. Dollars)

	2000	1999
Assets		
Current		
Cash	\$192,280	\$59,441
Accounts receivable (note 4)	144,383	112,839
Inventory	93,513	136,560
Prepaid expenses	6,151	520
Total Current Assets	436,327	309,360
Property and Equipment (note 5)	53,064	49,782
Total Assets	\$489,391	\$359,142
Liabilities		
Current		
Accounts payable	\$12,422	\$27,011
Accrued liabilities	0	6,929
Income tax payable	90,598	69,286
Total Current Liabilities	103,020	103,226
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		
9,131,316 Common shares	9,131	9,131
Capital in Excess of Par Value	163,653	163,653
Other Comprehensive Income (Loss)	(1,839)	6,677
Retained Earnings	215,426	76,455
	386,371	255,916
Total Liabilities and Stockholders' Equity	\$489,391	\$359,142

FLEXIBLE SOLUTIONS INTERNATIONAL INC.**Consolidated Statement of Operations****Years Ended December 31/2000****(U.S. Dollars)**

	2000	1999
Sales	\$1,029,649	\$759,218
Cost of Sales (Exclusive of Depreciation)	509,933	413,849
Gross Profit	519,716	345,369
Operating Expenses		
Wages	87,907	63,467
Bad debt expense	51,282	0
Administrative salaries and benefits	37,234	4,524
Professional fees	36,701	16,465
Subcontracting	33,312	12,801
Shipping	12,189	7,179
Rent	11,445	4,442
Travel	10,454	6,607
Office	9,028	11,456
Telephone	3,613	2,359
Commission	1,982	20,957
Stock promotion and transfer agent fee	568	8,048
Currency exchange	(19,344)	4,144
Depreciation	13,489	12,764
	289,860	175,213
Income Before Income Tax	229,856	170,156
Income Tax	90,885	67,308
Net Income	\$138,971	\$102,848
Net Income Per Share	\$0.02	\$0.01
Weighted Average Number of Shares	9,131,316	9,131,316

FLEXIBLE SOLUTIONS INTERNATIONAL INC.**Consolidated Statement of Cash Flow****Years Ended December 31/2000****(U.S. Dollars)**

	2000	1999
Operating Activities		
Net income	\$138,971	\$102,848
Adjustments to reconcile net income to net cash, provided by (used in) operating activities		
Depreciation	13,489	12,764
Changes in non-cash working capital		
Accounts receivable	(31,544)	(111,308)
Inventory	43,047	(131,225)
Prepaid expenses	(5,631)	(520)
Accounts payable	(14,589)	5,444
Accrued liabilities	(6,929)	3,559
Income tax payable	21,312	69,286
Cash provided (Used in) Operating Activities	158,126	(49,152)
Investing Activities		
Acquisitions and Equipment	(16,771)	(52,409)
Financing Activities		
Repayment to shareholder	0	(3,261)
Effect of Exchange Rate Changes on Cash	(8,516)	7,053
Inflow (Outflow) of Cash	132,839	(97,769)
Cash, Beginning of Year	59,441	157,210
Cash, End of Year	\$192,280	\$59,441

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The Company was incorporated in the state of Nevada on May 12, 1998 and the Company's wholly owned subsidiary, Flexible Solutions Ltd., was incorporated on January 25, 1991 in Victoria, British Columbia, Canada.

On June 30, 1998 the Company completed the acquisition of 100% of the shares of Flexible Solutions Ltd. The acquisition was effected through the issuance of 7,000,000 shares of common stock by the Company with the former shareholders of the subsidiary receiving 100% of the total shares then issued and outstanding. The transaction has been accounted for as a reverse take-over.

Since completing the process of acquiring Flexible Solutions Ltd., the Company's operating activities have related primarily to marketing its swimming pool chemicals called "HEAT\$AVER", the "Tropical Fish" and its fresh water evaporation control chemical called "WATER\$AVER".

Cash Balances

The Company maintains its major cash balances at one financial institution, Toronto Dominion Bank, located in Victoria, British Columbia, CANADA. The balances are insured up to \$40,200 or \$60,000 (Cdn\$) per account by the Canada Deposit Insurance Corporation. At December 31, 2000, there were no uninsured cash balances.

Liquidity and Capital Resources

Fiscal 2000 and Fiscal 1999, Ended December 31st

Cash provided by Fiscal 2000 Operating Activities totaled \$158,126, including the \$138,971 net income; the primary adjusting items were \$13,489 in depreciation, (\$31,544) in accounts receivable, \$43,047 in inventory, (\$5,631) in prepaid expenses, (\$14,589) in accounts payable, (\$6,929) in accrued liabilities, and \$21,312 in income tax payable.

Cash used in 1999 Operating Activities totaled (\$49,152), including the \$102,848 net income; the primary adjusting items were \$12,764 in depreciation, (\$111,308) in accounts receivable, (\$131,225) in inventory, (\$520) in prepaid expenses, \$5,444 in accounts payable, \$3,559 in accrued liabilities, and \$69,286 in income tax payable. Cash flows from financing activities included a repayment to a shareholder of (\$3,261).

At the end of Fiscal 2000, the Company had cash of \$192,280 and accounts receivable of \$144,383. Operating expenses currently are averaging \$24,155 per month and sales are averaging \$85,804 per month. The cost of these sales averages \$42,494 per month. At the current volume of business management believes that it can sustain operations indefinitely without the addition of any additional capital. Additional capital will be necessary, however, should the Company decide to expand operations. If the Company cannot raise additional capital, expansion will not be possible.

Management currently has plans to raise additional capital during the next twelve months as described previously in Item 1, Historical Corporate Development.

Results of Operations

Fiscal 2000 and Fiscal 1999, Ended December 31st

Operating expenses for the fiscal year ended December 31, 2000 totaled \$289,860 and the Company experienced a net profit of \$138,971 against revenues of \$1,029,649. The major expenses during this period were wages of \$87,907, professional fees of \$36,701, office expenses of \$9,028, subcontracting fees of \$33,312, shipping of \$12,189, travel of \$10,454, rent, telephone and depreciation of \$28,547, and administrative salaries and benefits of \$37,234.

Operating expenses for the fiscal year ended December 31, 1999 totaled \$175,213 and the company experienced a net profit of \$102,848 against revenues of \$759,218. The major expenses during this period were wages of \$63,467, commissions of \$20,957, professional fees of \$16,465, office expenses of \$11,456, subcontracting fees of \$12,801, stock promotion and transfer agent fees of \$8,048, shipping of \$7,179, travel of \$6,607, and rent, telephone and depreciation of \$19,565.

In Fiscal 2000 total revenue rose because of increased sales penetration into the U.S. market. During Fiscal 2000, cost of sales decreased from 54% to 49% and operating expenses as a percentage of sales increased slightly from 23% during Fiscal 1999 to 28% during Fiscal 2000.

In Fiscal 1999 income rose because sales of the Tropical Fish product increased from less than 50,000 units to in excess of 400,000 units. HEATSAVER sales also grew, but only by a small amount. The tropical fish increase in sales occurred primarily because the Fiscal 1999 was the Company's first full season of sales for that product and the beginning of sales into the United States through the Company's distributor. Net income rose for the same reasons plus the following: product development on the Tropical Fish product was successfully completed thereby reducing expenses in that area. Production processes also improved as is evidenced by the fact that in Fiscal 1998, 37 Tropical Fish were produced by each employee per hour and during Fiscal 1999 that number grew to 75 Tropical Fish per employee per hour.

The Tropical Fish product is priced at \$1.68, or \$2.50 (Cdn\$) in Canada and \$2.00 in the United States. The Company currently offers no rebates, discounts or promotional prices for the Tropical Fish product.

Income Taxes

All tax returns due for the Company have been filed.

Inflation

The Company's results of operations have not been affected by inflation and management does not expect inflation to have a material impact on its operations in the future.

Subsequent Event

On January 15, 2001, 100,000 share purchase options were exercised. As a result of this transaction, the Company received an additional \$25,000 in cash. The issued stock is restricted, subject to rule 144.