BIOREM Inc.
MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")

For the Year Ended December 31, 2020

Introduction

This Management Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the Company's consolidated results of operations and financial condition. This discussion should be read in conjunction with the Consolidated Financial Statements for the years ended December 31, 2020 and 2019 and the accompanying notes, which are prepared in accordance with International Financial Reporting Standards or "IFRS". This discussion is based on information available to management as of March 29, 2021, unless otherwise indicated.

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars.

The core business of the Company is to provide advanced technology biological filters for removal of odors, volatile organic compounds (VOCs), hazardous air pollutants (HAPs) and for the conditioning of biogas renewable energy. With over 1,400 installed systems and over a decade of experience, the Company's groundbreaking biofilters are the technology of choice for wastewater treatment plants across North America. Additional information about the Company, including our most recently filed Annual Report, is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are used to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this MD&A, March 29, 2020. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances.

Non-IFRS Measures

"EBITDA," "Order Bookings," "Order Backlog" and "Working capital" do not have any standardized meaning prescribed by IFRS and may not be comparable to measures presented by other companies.

EBITDA is used to denote earnings (loss) from operations before interest, income taxes, depreciation and amortization. This measure is important to the Company since it is used by potential investors and lenders to evaluate the ongoing cash generating capability of the Company and thus the amounts they are willing to invest and lend to the Company.

Order Bookings and Order Backlog are non-IFRS measures that the Company uses to evaluate its sales performance. Order Bookings are those binding contracts that the Company enters into during a fiscal year with a third party for the delivery of our products or services. As Order Bookings are received, the contract value (before any associated sales taxes) is included in the Order Backlog. The Order Backlog is reduced by the revenue that is recognized on each project and is also adjusted for foreign exchange changes in the period presented.

Overview

Biorem is a leading clean technology company that designs, manufactures and distributes a comprehensive line of high-efficiency emissions control systems used to eliminate odors, volatile organic compounds (VOCs) and hazardous air pollutants (HAPs). Biorem also offers Biogas Conditioning technologies specializing in biological treatment of hydrogen sulfide.

Biorem offers a selection of products that can be tailored to suit application specific requirements. Biorem ensures optimized long-term performance on every application by custom-designing systems to meet the individual needs of their clients.

Biorem has sales and manufacturing offices across North America and in China, a dedicated research facility, an analytical and microbial laboratory, a worldwide sales representative network, and a dedicated service and support division. As a result, Biorem has the resources available to ensure that projects are handled promptly and professionally from conception to completion.

The Company has more than 1,400 installed systems worldwide.

Selected Annual Information

	2020	2019	2018
Revenue	$24,375,000	$20,649,000	$24,333,000
Net earnings (loss)	2,089,000	(1,302,000)	4,666,000
Total Assets	21,953,000	17,629,000	21,048,000
Shareholders' Equity	13,525,000	11,724,000	12,895,000
Earnings(loss)per share			
- basic	$0.05	$(0.03)	$0.12
- diluted	$0.05	$(0.03)	$0.12

Operating Results

Revenue	2020	2019	Percent Change
	$24,375,000	$20,649,000	18.0%

Revenue by Geography

	2020	2019	2018
Canada	$8,178,000	$3,119,000	$3,216,000
United States	12,606,000	13,787,000	14,448,000
China	3,417,000	2,762,000	3,889,000
Other international	174,000	981,000	2,780,000
Total Revenue	24,375,000	20,649,000	24,333,000

Biorem's core market is the North American municipal odour control market with international distribution established in China, Middle East, Americas and South Africa as well as opportunistically in other jurisdictions. Project delivery mix varies from period to period, however overall the Company relies heavily on the American and Canadian markets to generate revenue. The geographic mix in the current Order Backlog of the Company is consistent with the geographic mix for 2020 shown in the above table.

A number of factors contribute to variations in the Company's period over period results: customer scheduling and delivery of our products, the Company's mix of product and service offerings, the currency in which the revenue is earned and the timing of revenue recognition.

2020 revenue increased by 18.0% or $3.7 million over 2019 largely as a result of the increased order backlog of $31 million on December 31, 2019 compared to the $21 order backlog on December 31, 2018. Revenues did not increase proportionately to the increase in the order backlog due to customer scheduling requirements.

In 2020 forty four percent of revenue was derived from twelve customers while in 2019 fifty five percent of revenues came from nine customers.

Order Bookings	2020	2019	Percent Change
	$27,000,000	$32,900,000	(17.9)%

Order Bookings can vary considerably from period to period, due to both the size of the contracts won and the timing of the awarding of the contracts. Bookings in 2020 totaled $27 million and were $5.9 million lower than the Company's 2019 bookings. While bookings in 2020 were lower than 2019 they still represented the second largest annual bookings in Biorem history and were almost $4 million higher than the previous 5 year average of $23.2 million. 2020 bookings came from Canada, the United States and China in roughly the same proportion as 2020 reported revenues.

Order Backlog	2020	2019	Percent Change
	$31,000,000	$31,000,000	0%

The Company's Order Backlog at December 31, 2020 remained unchanged from December 31, 2019 at $31 million, Order Backlog can vary significantly from period to period both due to the timing of the receipt of contracts and due to the completion date of the projects under contract. Bookings in 2020 were received fairly evenly over the four quarters. Due to customer scheduling, the Company cannot provide guidance as to the quarters when the Order Backlog will be converted into revenue. In a normal economic environment management would expect that the majority of the Order Backlog at December 31, 2020 would be realized as revenue by the end of fiscal 2021.

Gross Profit	2020	2019	Percent Change
	$7,017,000	$4,864,000	44.3%

Costs of goods sold is comprised of 2 main components; direct material costs that are in direct proportion to revenue recognized, and the cost of operations which includes engineering and project management costs that are relatively fixed.

Gross profit in 2020 increased by $2.2 million to $7.0 million compared to $4.9 million recorded in 2019.

This increase in gross profit for the year was largely due to the increase in revenues in 2020.

As a percentage of revenue, gross profit in 2020 was 28.8% compared to 24.0% in 2019. Gross profit before the fixed costs of engineering and project management as a percentage of revenue was 44% compared to 36% in 2019. The 4.8% increase in gross profit as a percentage of revenue was due increased service revenue which generally has a larger gross margin, higher gross margins on contracts in backlog on December 31, 2019 and lower warranty claims costs as a percentage of revenue. Project management and engineering costs represented 15.0% of revenue in 2020 compared to 15.4% in 2019.

Sales and Marketing	2020	2019	Percent Change
	$1,962,000	$2,033,000	(3.5)%

The Company's sales and marketing expenses are composed of two significant categories; variable selling expenses and sales department expenses.

Variable selling costs represent commissions that are paid to both internal sales employees and external manufacturer representatives. These expenses are recognized over the course of the related contract. Sales Department expenditures relate primarily to departmental salaries and advertising expenses.

Total sales and marketing costs of $1,962,000 in 2020 were $71,000 less than the $2,033,000 expenditures incurred in 2019.

Sales and marketing activities in fiscal 2020 were comparable to the activities conducted in 2019 except for reduced travel due to COVID-19 restrictions. Sales and marketing expenses in 2020 represented 8.0% of revenue compared to 9.8% in 2019. As a percentage of bookings, sales and marketing expense in 2020 were 7.3% compared to 6.2% in 2019.

Research and Development	2020	2019	Percent Change
	$31,000	$47,000	(34.0)%

Research and Development expenses include research and development salaries, material and laboratory costs as well as subcontractor costs for the development of and installation of demonstration sites.

Other Income	2020	2019	Percent Change
	$(499,000)	$(294,000)	69.7%

Other expense (income) comprises foreign exchange gains, government assistance and investment tax credits.

In 2020 in response to the COVID-19 pandemic the Government of Canada implemented the Canada Emergency Wage Subsidy (CEWS) program that provides a subsidy of 75% of eligible wages. During the twelve months ended December 31, 2020 the Company applied for and received $295,962 in subsidies from the CEWS program which has been recognized as other income.

In addition to CEWS subsidies received, other income in 2020 includes $158,000 of foreign exchange gains on US dollar denominated assets held by Biorem Technologies Inc. compared to $279,000 of foreign exchange gain realized in 2019.

General and Administration	2020	2019	Percent Change
	$2,805,000	$4,101,000	(31.6)%

General and administration expenses include administrative salaries, consulting, bad debt expense, occupancy costs, office supplies, regulatory and transfer fees, travel and corporate affairs.

General and administrative expenses in 2020 were lower by $1,296,000 compared to 2019, primarily due to a $1,423,000 increase in valuation provisions recorded against amounts due to the Company's subsidiary Biorem Beijing in 2019. During 2020 $256,000 was collected from accounts previously provided for however an additional $567,000 valuation allowance was recorded against accounts receivable in North America and China whose collection was in doubt at year end.

This decrease in valuation allowance provisions recorded was partly offset by a $296,000 increase in executive compensation recorded and an $140,000 increase in hiring and relocation expense. Legal fees during the year decreased by $175,000.

Income Tax Expense	2020	2019
	$586,000	$276,000

The Company's expected income tax expense in both 2020 and 2019 was 26.5 % of earnings. Utilization of tax losses in 2020 not previously recognized in prior years reduced 2020 tax expense to 21.9 % of earnings totaling $586,000. In 2019 the impact of not recognizing the potential tax benefits of losses in the Company's China based subsidiaries resulted in a tax expense of $276,000 on a consolidated net loss of $1,026,000 which included $1.7 million of losses attributable to subsidiaries in China. The Company's deferred tax assets of $2.3 million on December 31, 2020 comprise the tax effect of $3.3 million of previously unrecognized tax losses, $1.6 million unrecognized temporary differences and $1.1 million unrecognized investment tax credits.

Summary of Quarterly Results

Thousands $ Except share data	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	7,934	3,586	5,957	6,898	4,376	6,266	5,946	4,061
Gross profit	3,653	629	1,424	1,349	1,183	1,730	1,335	704
Net earnings (loss)	1,133	155	338	463	(2,123)	682	258	(119)
EPS (loss) - basic	0.029	0.004	0.009	0.012	(0.057)	0.02	0.007	(0.00)

A number of factors contribute to variations in the Company's quarterly results: customer scheduling and delivery of our products and services, the Company's mix of product and service offerings, the currency in which the revenue is earned and the timing of revenue recognition.

Fourth Quarter 2020

Revenue in the fourth quarter of 2020 was $7.9 million compared to $3.6 million in the previous quarter and $4.4 million in the fourth quarter of 2019. The significant increase in the 2020 fourth quarter revenues compared to the previous quarters was largely due to differences in project delivery time lines in the quarters and to some project delivery delays in the prior quarters. Orders booked in the quarter totaled $5.1 million.

Gross profit of $3.7 million in the fourth quarter amounted to 46% of revenue, which was significantly higher than the 17.5 % gross profit margin in the previous quarter and the 27% achieved in the same quarter the prior year. The increased margin was the result of the higher revenues recorded in the quarter without any increase in engineering or project management overhead costs.

General and administrative expenses during the quarter were higher than the previous quarter due to increased compensation costs recorded in the quarter and $674,000 of valuation provisions recorded for the potential uncollectibility of certain accounts receivable and unbilled amounts. Sales and marketing expenses in the quarter were $500,000 which was $45,000 higher than the previous quarter and $92,000 higher than sales and marketing expenditures in the fourth quarter of 2019. The increase in sales and market costs in the quarter was due to increased commission on the increased revenues reported.

Liquidity

The Company finances its operations and capital expenditures through cash generated from operations and equity and debt financings.

2020 Cash flow

Cash and cash equivalents	December 2020	December 2019	Percent Change
	$8,869,000	$6,469,000	371%

Cash and cash equivalents increased by $2,400,000 to $8.9 million at December 31, 2020 from $6.5 million on December 31, 2019. Approximately 40% of the Company's cash held on December 31, 2020 is denominated in Canadian dollars and 43% in US dollars compared to approximately 18% in Canadian dollars and 66% in US dollars at December 31, 2019.

The change in cash for the year is due to net cash flows from operating, investing and financing activities as follows:

	2020	2019
Cash provided by (used in) operating activities	$3,335,000	$2,527,000
Cash provided by (used in) investing activities	(342,000)	(135,000)
Cash provided by (used in) financing activities	(200,000	(109,000)
Foreign exchange gain (loss) on foreign cash	(393,000)	236,000
Net increase (decrease) in cash	$2,400,000	$2,519,000

Cash provided by operating activities - Earnings from operating activities during the year generated $3.3 million of cash. Earnings generated $3.0 million of cash and a reduction non-cash operating working capital generated an additional $300,000 in cash. In particular, $1.2 million of cash was generated from an increase in accrued liabilities, $1.0 million from an increase in unearned revenue and $400,000 from a reduction in prepaid expenses and a further $200,000 came from a reduction in inventory. Cash generated from decreases in working capital items were partially offset by $2.6 million of cash used to fund an increase in accounts receivable.

Cash used in investing activities – The Company used $342,000 of cash during the year to acquire new manufacturing equipment and leasehold improvements.

Cash provided by financing activities – During the year $200,000 of cash was used to pay lease obligations as they became due.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business including proposals on major investments. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company's objectives of managing liquidity risk are to forecast the liquidity position as accurately as possible and to maintain sufficient resources to pursue its growth strategy. The Company's financial liabilities include accounts payable and accrued liabilities, unearned revenue and contract advances as well as long and short term debt.

The Company's net current assets (liabilities) are summarized below.

	2020	2019
Cash	$8,869,000	$6,469,000
Working capital	10,458,000	8,582,000
Net current assets	$10,458,000	$8,582,000

(1) Working capital represents total current assets less total current liabilities.

A maturity analysis as at December 31, 2020 of the Company's financial liabilities based on gross, undiscounted cash flows is presented below. The maturity analysis is based on the earliest date that liabilities may be due.

	Carrying Amount	Contractual Cash Flow	Less than 1 month	1-3 months	3 months to 1 year	1+ years	Total
	$	$	$	$	$	$	$
2020							
Accounts payable	1,808,644	1,808,644	1,808,644	-	-	-	1,808,644
Accrued liabilities	2,593,508	2,593,508	2,593,508	-	-	-	2,593,508
Lease liabilities	828,174	1,266,589	16,582	33,164	149,238	1,067,605	1,266,589
	5,230,326	5,668,741	4,418,734	33,164	149,238	1,067,605	5,668,741
2019							
Accounts payable	2,355,157	2,355,157	2,355,157	-	-	-	2,355,157
Accrued liabilities	1,310,126	1,310,126	1,310,126	-	-	-	1,310,126
Lease liabilities	96,805	99,360	13,440	40,320	45,600	-	99,360
	3,762,088	3,764,643	3,678,723	40,320	45,600	-	3,764,643

Capital Resources

The Company currently does not have any undrawn debt facilities. The Company does not have any significant capital expenditure projects underway or forecasted in 2020.

Financial instruments

At December 31, 2020 the Company held no forward exchange contracts.

Commitments

Commitments include operating leases for office equipment and facilities, bank guarantees, and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Aside from the aforementioned, the Company does not have any other business arrangements or any equity interests in unconsolidated companies that would have a significant effect on its assets and liabilities as at December 31, 2020.

Off-Balance Sheet Arrangements

As a general practice, the Company does not enter into off-balance sheet financing arrangements. Except for operating leases and letters of credit, all commitments are reflected on the balance sheet.

Transactions with Related Parties

The Company did not have any material related party transactions during the year ended December 31, 2020.

Outstanding Share Data

	December 31 2020	December 31 2019
Common shares	38,661,558	38,661,558
Employee stock options (1)	3,355,000	3,390,500
	42,016,558	42,052,058

(1) Assumes 100% conversion of outstanding options

There have been no material changes to the Company's outstanding share data from December 31, 2020 to the date of this MD&A.

Significant Accounting Policies and Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related contingent assets and liabilities. On an on-going basis, management evaluates the estimates including those related to long-term revenue contracts, intangible assets, bad debts, warranty obligations and income taxes. The estimates are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates. The following critical accounting policies include those which involve management's more significant judgments and estimates:

a) Revenue recognition: The Company derives revenue from long-term contracts which require performance over a time span which may extend beyond one or more accounting periods. The Company recognizes revenue on long-term contracts using the percentage-of-completion method, based on costs incurred relative to the estimated total contract costs. Management has concluded that costs incurred are the best available measure of progress toward completion of these contracts. Estimated total direct contract costs is subjective and requires the use of our best judgments based upon the information we have available at that point in time. Management's estimate of total direct contract costs has a direct impact on the revenue recognized by the Company. Changes in estimates are reflected in the period in which they are made and would affect revenue and cost of sales and unbilled or unearned revenue.
The Company also provides for estimated losses on incomplete contracts in the period in which such losses are determined.

b) Deferred income taxes: Deferred income tax assets are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying value of assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment. The income tax bases of assets and liabilities are based upon the interpretation of income tax legislation across various jurisdictions. The deferred income tax assets and liabilities are also impacted by expectations about future operating results and the timing for reversal of temporary differences as well as possible audits of tax filings by the regulatory authorities. In accessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income and tax planning strategies in making this assessment. The Company has recorded $2,262,000 of deferred tax assets as at December 31, 2020.

c) Investment tax credits: In the normal course of operations, the Company's Scientific Research & Experimental Development (SR&ED) expense claims are subject to review by federal and provincial government authorities. Reviews of certain of the Company's SR&ED claims are incomplete at December 31, 2020 and as such, amounts disclosed may be subject to change, pending the outcome of such reviews.

d) Warranty obligations: Management routinely assesses and adjusts for its anticipated warranty costs based on experience and estimates of the potential warranty obligations for its installations.

e) Expected credit losses: Management routinely reviews accounts receivable and sets up a reserve for expected credit losses. This is an estimate since some of the reserved accounts may be collected and we may subsequently find that some accounts currently deemed collectible become uncollectible. As well, the estimated present value of future cash flows associated with the outstanding accounts receivable is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statement of operations for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The assumptions used for this estimate, which are based on the Company's historical collection history, are presented in Note 10 to the financial statements.

f) Long lived assets: Management reviews the carrying value of long lived assets including plant and equipment and amortizable intangible assets for impairment to determine if the carrying value of an asset may not be recoverable due to changes in the current and expected future use of the asset, external valuations of the asset, and the obsolescence or physical damage to the asset. If such indicators of impairment exist, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash generating unit exceeds its estimated recoverable amount.

g) Compound financial instruments: The financial liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, representing the holders' option to convert into common shares, is recognized initially at fair value determined as the excess of the face value of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is included within contributed surplus and is not re-measured subsequent to initial recognition.

Interest, as well as any gains and losses relating to the financial liability are recognized in profit or loss.

h) Leases: On January 1, 2019 the Company adopted IFRS 16 Leases which requires assets and liabilities arising from all leases with some exceptions to be recognized on the statement of financial position. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The impact of changes resulting from adoption of IFRS is disclosed in Note 19 of the financial statements.

   At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

   At inception of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. The Company recognizes a right-of-use asset

Outlook

The Company is in a strong financial position at the end of 2020 and expects to build on this strength in 2021. While the Company's has an order backlog of $30 million and a strong sales pipeline, order bookings have been lower than normal in the first months of 2021. It is difficult to determine the extent to which economic uncertainty caused by the COVID-19 pandemic has caused this decline in orders received. Given the uncertainty surrounding the COVID-19 pandemic and the efforts to contain it is not possible at this time to provide any guidance on short or medium term outlook.

Risks and Uncertainties

COVID-19

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial results.

In 2020 management believes the Company's business was only minimally impacted by the worldwide outbreak of the COVID-19 virus, mainly through construction delays on some projects. While worldwide, as a result of the implementation of public health measures and vaccination programs it appears the pandemic is abating the ongoing duration and impact of the outbreak is still unknown at this time, as are the impacts of government measures to protect from economic slowdown. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Liquidity risk

At December 31, 2020 the Company had working capital of $10,458,000. Management believes the Company has sufficient working capital to meet all of its operational needs under any normal circumstances.

Sales Cycle

The Company's long sales cycle may cause revenue fluctuations period over period – since operating expenses are largely based on anticipated revenue trends and a significant portion of expenses are, and will continue to be, fixed, any delay in generating or recognizing revenues could negatively impact our business, operating results, financial condition or prospects.

Order Backlog

As of December 31, 2020 the Company's Order Backlog was $31 million. However, the expected future revenue from the Company's Order Backlog may not be realized or, if realized, may not result in net earnings. Projects could remain in Order Backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts reflected in the Company's Order Backlog. Cancellation or delay of contracts may have a material adverse effect on our financial status.

Delays or Defaults in customer payments affecting liquidity

Due to the nature of our contracts, at times we commit resources to projects prior to receiving payments from our customers in amounts sufficient to cover expenditures as they are incurred. Delays in customer payments may require us to make a working capital investment. If a customer defaults in making payments on a project to which we have devoted significant resources, it could have a material negative effect on our liquidity as well as the results from operations.

Reputation

The Company's reputation for technical expertise, high level of service and the lower life cycle cost of products compared to our competitors products is one of our most valuable business development assets. The loss of this reputation due to client dissatisfaction represents a risk to our ability to win additional business both from existing clients and from future clients.

Patents and Proprietary Right

The Company relies on a combination of patents, trademarks, trade secrets and knowledge to protect its proprietary technology and rights. There can be no assurance that the Company's patents will not be infringed upon, that the Company would have adequate remedies for any such infringement, or that its trade secrets will not otherwise become known or independently developed by its competitors. There can also be no assurance that any patents now or hereafter issued to, licensed by or applied for by the Company will be upheld, if challenged, or that the protections afforded thereby will not be circumvented by others.

Dependence on Subcontractors

The Company does not directly engage in field construction but relies on field construction subcontractors operating under the supervision of the Company's employees. The unavailability of field construction subcontractors, or a substantial increase in pricing by a significant number of these subcontractors could adversely affect the Company. In addition, failure of subcontractors to properly perform work that has been subcontracted to them could adversely affect the Company by increasing the costs to the Company of completing a project and by damaging the Company's reputation.

Product Liability

If there are defects in our systems or if significant reliability, quality or performance problems develop with respect to our systems, there may be a number of negative effects on our business. Our products are often installed in corrosive or flammable environments. The Company carries product liability insurance, which includes coverage for sudden or accidental pollution impact. It is possible that a customers' inability to comply with applicable pollution control laws or regulations stemming from failure or non-performance of the Company's products or systems may subject the Company to liability for any fines imposed upon such customer by regulatory authority or for damages asserted to have been incurred by any third party adversely affected.

Competition

Virtually all contracts for the Company's products are obtained through competitive bidding. Although the Company competes on technical expertise, reputation for service and lower life cycle cost, there can be no assurance that the Company will maintain its competitive position in its principal markets.

Fixed Price Contracts may result in losses

The Company's receipt of a fixed price contract as a consequence of being the successful bidder carries the inherent risk that the Company's actual performance cost may exceed the estimates upon which its bid was based. To the extent that contract performance costs exceed projected costs, the Company's profitability could be materially affected.

Foreign Exchange

The Company is subject to risk of exchange rate fluctuations related to anticipated revenues, Order Backlog and existing assets and liabilities denominated in currencies other than Canadian dollars. At December 31, 2020, the Company had US dollar denominated net monetary assets of $4,570,000.

Stock Trading Volume is low

The monthly average trading volume of the BIOREM common shares on the Toronto Venture Exchange during 2020 was 297,000 shares. Due to the low trading volume the price of the common shares could be subject to wide price fluctuations in response to business development announcements, competitors, quarterly variations in operating results, and other events or factors.

Risk to Product Development

Corporate resources are currently being expended on the development of the new media technologies. These technologies are constantly in development and have not yet been fully commercialized. There can be no guarantee that the new media technology will achieve the performance criteria which the Company believes is necessary for it to be a successful product in the market. In addition, there are risks associated with commercializing any product including the risk that full scale production may not be achieved at an acceptable cost level. Failure to successfully commercialize the new media technologies may materially and adversely affect the Company's financial condition and results of operations.

Acceptance of new products by the Market

Market risk exists for new products such as the new media. There is no assurance that new products will be accepted by the market, that desired volumes will be realized over the product life or that the product life will not be shorter than expected due to product obsolescence. New products that are launched by the Company's competitors may also have price or other advantages over the Company's products. In addition, new product offerings may also require more significant marketing and sales efforts to gain market acceptance.

Dependency on key personnel

The success of the Company is dependent upon the attraction and retention of highly skilled personnel in a number of key areas including management positions. The unexpected loss or departure of any of the Company's key officers or employees could have a material adverse effect on the future operations of the Company. The success of the Company's business will depend, in part, upon the Company's ability to attract and retain qualified personnel as they are needed. There can be no assurance that the Company will be able to engage the services of such personnel or retain its current personnel.