

Condensed Consolidated Interim Financial Statements of

Biorem Inc.

Periods ended March 31, 2021 and 2020

(Unaudited)

Biorem Inc.

March 31, 2021 and 2020

(unaudited)

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The accompanying condensed consolidated interim financial statements of Biorem Inc. have been prepared by and are the responsibility of the Company's Management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards adopted by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

Biorem Inc.

Condensed consolidated interim statements of financial position March 31, 2021 and December 31, 2020

(In Canadian dollars, unaudited)	Notes	March 31, 2021	December 31, 2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		10,241,829	8,869,394
Accounts receivable		3,780,790	6,322,217
Unbilled revenue		1,220,360	1,281,619
Inventories		1,103,753	944,779
Prepaid expenses and deposits		1,143,291	857,251
		17,490,023	18,275,260
Non-current assets			
Equipment and leasehold improvements		1,350,057	1,415,667
Deferred tax assets		2,409,770	2,261,956
Total assets		21,249,850	21,952,883
Liabilities			
Current liabilities			
Accounts payable	8	1,980,698	1,808,644
Accrued liabilities		2,053,210	2,593,508
Lease liabilities		218,175	217,584
Income taxes payable		127,899	127,999
Provisions	7	544,281	542,112
Unearned revenue		2,345,520	2,527,825
		7,269,783	7,817,672
Non-current liabilities			
Lease liabilities		659,123	610,590
Shareholders' equity			
Common shares		17,250,930	17,204,855
Contributed surplus		2,197,687	2,189,248
Accumulated other comprehensive income		1,299,399	1,136,890
Deficit		(7,427,072)	(7,006,372)
Total shareholders' equity		13,320,944	13,524,621
Total liabilities and shareholders' equity		21,249,850	21,952,883

Biorem Inc.

Consolidated statements of operations Three months ended March 31, 2021 and 2020

(In Canadian dollars, unaudited)	Notes	2021	2020
		\$	\$
Revenue		3,428,866	6,897,722
Cost of goods sold		3,150,671	5,549,204
Gross profit		278,195	1,348,518
Expenses			
Sales and marketing		460,101	584,942
Research and development		2,455	21,081
General and administration		275,713	394,860
Other income	5	97,979	(282,684)
Total operating expenses		836,248	718,199
Earnings (loss) from operations		(558,053)	630,319
Finance costs		10,461	792
Earnings (loss) before tax		(568,514)	629,527
Income tax (recovery)		(147,814)	166,825
Net earnings (loss)		(420,700)	462,702
Earnings (loss) per share, basic		\$ 0.01	\$ 0.01
Earnings (loss) per share, diluted		\$ 0.01	\$ 0.01

See accompanying notes to consolidated financial statements.

Biorem Inc.

Condensed consolidated interim statement of comprehensive income (loss) Three months ended March 31, 2021 and 2020

(In Canadian dollars, unaudited)	2021	2020
	\$	\$
Net income (loss)	(420,700)	462,702
Other comprehensive income (loss)		
Item that will not be reclassified into profit and loss		
Foreign currency translation differences on foreign operations	162,509	188,005
Total comprehensive income for the period	(258,191)	650,707

Biorem Inc.

Consolidated statements of changes in shareholders' equity Three months ended March 31, 2021 and 2020

In Canadian dollars	Notes	Common shares	Contributed surplus	Accumulated other comprehensive income(loss)	Deficit	Total
		\$	\$	\$	\$	\$
Balance, as at January 1, 2020		17,204,855	2,168,949	1,445,179	(9,095,216)	11,723,767
Earnings for the period		-	-	-	462,702	462,702
Foreign currency translation differences on foreign operations		-	-	188,005	-	188,005
Total comprehensive earnings for the period		-	-	188,005	462,702	650,707
Stock-based compensation		-	12,550	-	-	12,550
		-	12,550	-	-	12,550
Balance, as at March 31, 2020		17,204,855	2,181,499	1,633,184	(8,632,514)	12,387,024
Balance, as at January 1, 2021		17,204,855	2,189,248	1,136,890	(7,006,372)	13,524,621
Earnings(loss) for the period		-	-	-	(420,700)	(420,700)
Foreign currency translation differences on foreign operations		-	-	162,509	-	162,509
Total comprehensive earnings (loss) for the period		-	-	162,509	(420,700)	(258,191)
Stock options exercised		46,075	-	-	-	46,075
Stock-based compensation		-	8,439	-	-	8,439
		46,075	8,439	-	-	54,514
Balance, as at March 31, 2021		17,250,930	2,197,687	1,299,399	(7,427,072)	13,320,944

See accompanying notes to condensed consolidated interim financial statements

Biorem Inc.

Condensed consolidated interim statements of cash flows Three months ended March 31, 2021 and 2020

(In Canadian dollars, unaudited)	Notes	2021	2020
		\$	\$
Operating activities			
Net earnings(loss)		(420,700)	462,702
Items not involving cash:			
Deferred tax expense		147,814	166,825
Depreciation		78,669	81,310
Stock based compensation		8,439	12,550
Accretion lease interest		11,253	-
		(174,525)	723,387
Change in non-cash operating working capital			
Accounts receivable		2,683,889	(1,780,922)
Unbilled revenue		61,840	(224,040)
Inventories		(163,394)	230,970
Prepaid expenses and deposits		(297,992)	828,176
Accounts payable		181,123	(550,050)
Accrued liabilities		(448,521)	89,636
Income taxes payable		(715)	-
Provisions		7,170	24,581
Unearned revenue		(171,746)	732,594
Cash provided by (used in) operating activities		1,677,129	74,332
Investing activities			
Purchase of equipment, leasehold improvements		(13,707)	(103,586)
Cash provided by (used in) investing activities		(13,707)	(103,586)
Financing activities			
Proceeds from issuance of common shares on exercise of stock options		46,075	-
Payment of lease liabilities		(54,593)	(40,320)
Cash provided by (used in) financing activities		(8,518)	(40,320)
Foreign exchange gain(loss) on foreign denominated cash and cash equivalents		(282,469)	143,018
Increase(decrease) in cash and cash equivalents		1,372,435	73,444
Cash and cash equivalents, beginning of year		8,869,394	6,469,023
Cash and cash equivalents, end of year		10,241,829	6,542,467

Biorem Inc.

Notes to the consolidated interim financial statements

March 31, 2021 and 2020

(unaudited)

1. General information

BIOREM Inc. ("BIOREM") is a company with its head office domiciled in Canada.

The address of BIOREM's registered office is, 7496 Wellington Road 34, Puslinch, Ontario. The Company's common shares are listed on the Toronto Stock Exchange and trade under the symbol BRM.V. The condensed consolidated interim financial statements of BIOREM comprise BIOREM and its subsidiaries (together referred to as "the Company"). The Company is primarily involved in the manufacturing of a comprehensive line of high efficiency air pollution control systems that are used to eliminate odorous and harmful contaminants.

2. Basis of preparation

a) *Statement of compliance*

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "*Interim Financial Reporting*". The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements have been prepared following the same accounting principles and methods of computation as the Company's 2020 annual consolidated financial statements and should be read in conjunction with those audited consolidated financial statements which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR").

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issuance on May 19, 2021.

b) *Basis of measurement*

These condensed consolidated interim financial statements have been prepared on the historical cost basis of accounting, with the exception of financial instruments classified as fair value through profit and loss, which are recorded at fair value.

c) *Functional and presentation currency*

The functional currency of BIOREM and its subsidiaries is the currency of their primary economic environment. These condensed consolidated interim financial statements are presented in Canadian dollars, which is BIOREM's functional currency. The functional currency of BIOREM's subsidiary located in the United States is the U.S. dollar and the functional currency of BIOREM's subsidiary located in China is the Chinese renminbi.

d) *Basis of consolidation*

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the condensed consolidated financial statements from the date that control commences until the date that control ceases. Accordingly, the consolidated interim financial statements include the accounts of Biorem Technologies Inc., Biorem Environmental Inc., Biorem Environmental (US) Ltd., Biorem Hong Kong, Biorem (Beijing) Technologies Company Limited and Biorem Wuhu Environmental Technology Ltd. in addition to those of BIOREM. All significant inter-company transactions and balances have been eliminated.

Biorem Inc.

Notes to the consolidated interim financial statements

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3. Significant accounting policies

The significant accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in the Company's 2020 annual consolidated financial statements except as set out below, and have been applied consistently to all periods presented in these condensed consolidated interim financial statements. The accounting policies have been applied consistently by the Company's subsidiaries.

4. Segmented information

Management has determined that the Company operates in one reportable segment, which involves the manufacture and sale of pollution control systems.

The Company's revenue and capital assets breaks down geographically as follows:

	Revenue		Capital assets	
	March 2021	March 2020	March 2021	March 2020
	\$	\$	\$	\$
Canada	1,331,332	1,740,991	730,899	213,674
United States	1,992,505	5,042,993	489,427	12,140
China	-	113,738	129,731	164,862
Other	105,029	-	-	-
Total	3,428,866	6,897,722	1,350,057	390,676

5. Other income

The composition of other income is as follows:

	Three months ended	
	March 2021	March 2020
	\$	\$
Foreign exchange gain (loss)	97,979	282,684
Total	97,979	282,684

6. Contingency

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based upon information presently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect in relation to the Company's consolidated financial position, liquidity or results of operations.

Biorem Inc.

Notes to the consolidated interim financial statements

March 31, 2021 and 2020

(unaudited)

7. Provisions

Warranty

At December 31, 2020	\$542,112
Provisions used during the period	(552)
Provisions made during the period	2,721
At March 31, 2021	\$ 544,281

8. Financial Instruments

Fair value of financial instruments

	March 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	10,241,829	10,241,829	8,869,324	8,869,324
Accounts receivable	3,780,790	3,780,790	6,322,217	6,322,217
	14,022,619	14,022,619	15,191,541	15,191,541
Financial liabilities				
Accounts payable and accrued liabilities	4,033,908	4,033,908	3,791,563	3,791,563
Lease liabilities	877,298	877,298	828,173	828,173
	4,911,206	4,911,206	4,619,736	4,619,736

The Company has determined that the fair value of its short term financial assets and liabilities approximates their respective carrying because of the short term maturity of those instruments.