

Condensed consolidated interim financial statements of

Biorem Inc.

Periods ended June 30, 2021 and 2020

(Unaudited)

Biorem Inc.

June 30, 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 Canadian Institute of Chartered Accountants ("CICA") for a review of interim financial statements by an entity's auditor.

Biorem Inc.

Condensed consolidated interim statements of financial position June 30, 2021 and December 31, 2020

(In Canadian dollars, unaudited)	Notes	June 30, 2021	December 31, 2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		10,226,263	8,869,394
Accounts receivable		6,535,950	6,322,217
Unbilled revenue		846,204	1,281,619
Inventories		1,680,890	944,779
Prepaid expenses and deposits		1,330,262	857,251
		20,619,569	18,275,260
Non-current assets			
Equipment and leasehold improvements		1,269,115	1,415,667
Deferred tax assets		2,313,714	2,261,956
Total assets		24,202,398	21,952,883
Liabilities			
Current liabilities			
Accounts payable	8	2,806,041	1,808,644
Accrued liabilities		2,569,042	2,593,508
Lease liabilities		179,021	217,584
Income taxes payable		76,149	127,999
Provisions	7	586,081	542,112
Unearned revenue		3,768,228	2,527,825
		9,984,562	7,817,672
Non-current liabilities			
Lease liabilities		563,654	610,590
Shareholders' equity			
Common shares		17,289,430	17,204,855
Contributed surplus		2,197,687	2,189,248
Accumulated other comprehensive loss		1,324,874	1,136,890
Deficit		(7,157,809)	(7,006,372)
Total shareholders' equity		13,654,182	13,524,621
Total liabilities and shareholders' equity			
		24,202,398	21,952,883

Biorem Inc.

Condensed consolidated interim statements of operations Three and six months ended June 30, 2021 and 2020

(In Canadian dollars, unaudited)	Notes	Three months ended		Six months ended	
		2021	2020	2021	2020
		\$	\$	\$	\$
Revenue		5,633,960	5,957,471	9,062,826	12,855,192
Cost of goods sold		4,517,849	4,533,636	7,668,520	10,082,840
Gross profit		1,116,111	1,423,835	1,394,306	2,772,352
Expenses (income)					
Sales and marketing		499,200	421,922	959,300	1,006,864
Research and development		771	124	3,225	21,205
General and administration		404,505	542,221	680,218	937,080
Other expense (income)	5	(162,727)	(2,953)	(64,747)	(285,637)
Total operating expenses		741,749	961,314	1,577,996	1,679,512
Earnings from operations		374,362	462,521	(183,690)	1,092,840
Finance costs		11,886	2,495	22,347	3,288
Net earnings (loss) before tax		362,476	460,026	(206,037)	1,089,552
Income tax expense		96,056	121,907	(54,600)	288,731
Net earnings (loss)		266,420	338,119	(151,437)	800,821
Earnings per share, basic	8	\$ 0.007	\$ 0.009	\$ -	\$ 0.021
Earning per share, diluted	8	\$ 0.007	\$ 0.009	\$ -	\$ 0.021

Biorem Inc.

Condensed consolidated interim statements of comprehensive income (loss) Three and six months ended June 30, 2021 and 2020

(In Canadian dollars, unaudited)	Three months ended		Six months ended	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net earnings (loss)	266,420	338,119	(151,437)	800,821
Other comprehensive income				
Item which may be reclassified into profit and loss:				
Foreign currency translation loss on foreign operations	25,475	(175,807)	187,984	12,198
Total comprehensive income (loss) for the period	291,895	162,312	36,547	813,019

Biorem Inc.

Condensed Consolidated interim statements of shareholders' equity

Six months ended June 30, 2021 and 2020

(In Canadian dollars, unaudited)	Share capital	Contributed surplus	Accumulated other comprehensive income	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	-	-	-	800,821	800,821
Foreign currency translation differences on foreign operations	-	-	80,000	-	80,000
Total comprehensive earnings for the period	-	-	80,000	800,821	880,821
Stock-based compensation	-	15,133	-	-	15,133
	-	15,133	-	-	15,133
Balance, as at June, 2020	17,204,855	2,184,082	1,525,179	(8,294,395)	12,619,721
Balance, as at January 1, 2021	17,204,855	2,189,248	1,136,890	(7,006,372)	13,524,621
Earnings for the period	-	-	-	(151,437)	(151,437)
Foreign currency translation differences on foreign operations	-	-	187,984	-	187,984
Total comprehensive earnings for the period	-	-	187,984	(151,437)	36,547
Stock options exercised	84,575	-	-	-	84,575
Stock-based compensation	-	8,439	-	-	8,439
	84,575	8,439	-	-	93,014
Balance, as at June, 2021	17,289,430	2,197,687	1,324,874	(7,157,809)	13,654,182

Biorem Inc.

Condensed consolidated interim statements of cash flows

Six months ended June 30, 2021 and 2020

(In Canadian dollars, unaudited)	Notes	2021	2020
		\$	\$
Operating activities			
Net earnings (loss)		(151,437)	800,821
Items not involving cash:			
Deferred tax expense (recovery)		(54,600)	288,731
Depreciation		172,562	125,469
Accretion lease interest		22,506	-
Stock option compensation		8,439	15,133
		(2,530)	1,230,154
Change in non-cash operating working capital			
Accounts receivable		(139,239)	(1,254,494)
Unbilled revenue		433,291	(335,447)
Inventories		(736,289)	277,546
Prepaid expenses and deposits		(510,005)	804,104
Accounts payable		856,208	229,981
Accrued liabilities		(1,400)	52,352
Income taxes payable		(65,500)	-
Provisions		48,970	49,543
Unearned revenue		1,205,411	519,356
Cash provided by (used in) operations		1,088,917	1,573,095
Investing activities			
Purchase of equipment, leasehold improvements		(29,289)	(201,939)
		(29,289)	(201,939)
Financing activities			
Payment of lease liabilities		(119,169)	(65,160)
Proceeds from issuance of common shares on exercise of stock options		84,575	-
		(34,594)	(65,160)
Foreign exchange gain(loss) on foreign denominated cash and cash equivalents		331,835	187,079
Increase(decrease) in cash and cash equivalents		1,356,869	1,493,075
Cash and cash equivalents, beginning of year		8,869,394	6,469,023
Cash and cash equivalents, end of period		10,226,263	7,962,098

Biorem Inc.

Notes to the condensed consolidated interim financial statements

June 30, 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 July 28, 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., Ltd in addition to those of BIOREM. All significant inter-company transactions and balances have been eliminated.

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.

Biorem Inc.

Notes to the condensed consolidated interim financial statements

June 30, 2021 and 2020

(Unaudited)

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	Three months ending		Six months ending	
	June 2021	June 2020	June 2021	June 2020
	\$	\$	\$	\$
Canada	1,589,964	2,456,485	2,921,296	4,197,476
United States	3,325,394	2,178,615	5,317,898	7,090,524
China	541,708	1,291,371	533,656	1,485,712
Other	176,894	31,000	289,976	81,480
Total	5,633,960	5,957,471	9,062,826	12,855,192

Capital assets (1)	Period ending	
	June 2021	June 2020
	\$	\$
Canada	678,291	282,343
United States	483,446	26,165
China	107,378	132,096
Total	1,269,115	440,604

(1) Includes plant, equipment, leasehold improvements and right of use assets

5. Other income

The composition of other income is as follows:

	Three months ended		Six months ended	
	June 2021	June 2020	June 2021	June 2020
			\$	\$
Government funding	25,000	-	25,000	-
Foreign exchange gain(loss)	137,727	2,953	39,748	285,637
Total	162,727	2,953	64,748	285,637

Biorem Inc.

Notes to the condensed consolidated interim financial statements

June 30, 2021 and 2020

(Unaudited)

6. Provisions

Warranty	2021	2020
	\$	\$
At December 31	542,112	472,340
Provisions used during the period	(11,164)	(1,606)
Provisions made during the period	32,803	51,148
At June 30	\$ 586,081	\$ 521,882

7. Financial Instruments

Fair value of financial instruments

	June 30, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	10,226,263	10,226,263	8,869,324	8,869,324
Accounts receivable	6,535,950	6,535,950	6,322,217	6,322,217
	16,762,213	16,762,213	15,191,541	15,191,541
Financial liabilities				
Accounts payable and accrued liability	5,375,083	5,375,083	3,791,563	3,791,563
Lease liabilities	742,675	742,675	828,173	828,173
	5,375,083	5,375,083	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.

Biorem Inc.

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8. Earnings per share

	Three months ended		Six months ended	
	June 2021	June 2020	June 2021	June 2020
Net earnings(loss)	\$ 266,420	\$ 338,119	\$ (151,437)	\$ 800,821
Common shares outstanding	38,854,058	38,661,558	38,854,058	38,661,558
Dilutive Options	1,316,432	22,353	1,316,432	22,353
Total	<u>40,170,490</u>	<u>38,683,911</u>	<u>40,170,490</u>	<u>38,683,911</u>