

Condensed consolidated interim financial statements of

Biorem Inc.

Periods ended September 30, 2021 and 2020

(Unaudited)

Biorem Inc.

September 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 September 30, 2021 and December 31, 2020

(In Canadian dollars, unaudited)	Notes	2021	2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		9,912,410	8,869,394
Accounts receivable		3,229,194	6,322,217
Unbilled revenue		1,894,455	1,281,619
Inventories		2,177,659	944,779
Prepaid expenses and deposits		1,827,845	857,251
		19,041,563	18,275,260
Non-current assets			
Equipment and leasehold improvements		1,216,581	1,415,667
Deferred tax assets		2,338,466	2,261,956
Total assets		22,596,610	21,952,883
Liabilities			
Current liabilities			
Accounts payable		2,476,248	1,808,644
Accrued liabilities		2,352,622	2,593,508
Lease liabilities		182,329	217,584
Income taxes payable		76,149	127,999
Provisions	6	607,855	542,112
Unearned revenue		2,656,285	2,527,825
		8,351,488	7,817,672
Non-current liabilities			
Lease liabilities		517,588	610,590
Shareholders' equity			
Common shares		17,289,430	17,204,855
Contributed surplus		2,197,687	2,189,248
Accumulated other comprehensive income		1,533,315	1,136,890
Deficit		(7,292,898)	(7,006,372)
Total shareholders' equity		13,727,534	13,524,621
Total liabilities and shareholders' equity		22,596,610	21,952,883

See accompanying notes to consolidated financial statements.

Biorem Inc.

Condensed consolidated interim statements of operations Three and nine months ended September 30, 2021 and 2020

(In Canadian dollars, unaudited)	Notes	Three months ended		Nine months ended	
		2021	2020	2021	2020
		\$	\$	\$	\$
Revenue		4,576,025	3,586,024	13,638,851	16,441,216
Cost of goods sold		3,439,376	2,957,445	11,107,896	13,077,312
Gross profit		1,136,649	628,579	2,530,955	3,363,904
Expenses (income)					
Sales and marketing		481,996	455,138	1,441,296	1,462,002
Research and development		3,845	6,790	7,070	27,995
General and administration		527,463	202,230	1,207,681	1,112,284
Other expense (income)	5	268,945	(246,376)	204,197	(532,014)
Total operating expenses		1,282,249	417,782	2,860,244	2,070,267
Earnings from operations		(145,600)	210,797	(329,289)	1,293,637
Finance costs		11,399	(465)	33,747	2,824
Net earnings before tax		(156,999)	211,262	(363,036)	1,290,813
Income tax expense		(41,605)	55,984	(76,510)	342,065
Net earnings		(115,394)	155,278	(286,526)	948,748
Earnings per share, basic	9	\$ -	\$ 0.004	\$ -	\$ 0.025
Earnings per share, diluted	9	\$ -	\$ 0.004	\$ -	\$ 0.025

See accompanying notes to consolidated financial statements.

Biorem Inc.

Condensed consolidated interim statements of comprehensive income (loss)

Three and nine months ended September 30, 2021 and 2020

(In Canadian dollars, unaudited)	Three months ended		Nine months ended	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net earnings	(115,394)	155,278	(286,526)	948,748
Other comprehensive income				
Item which may be reclassified into profit and loss:				
Foreign currency translation gain (loss) on foreign operations	327,402	(8,812)	515,386	71,187
Total comprehensive income for the period	212,008	146,466	228,860	1,019,935

Biorem Inc.

Condensed Consolidated interim statements of shareholders' equity

Nine months ended September 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
Total comprehensive income for the period					
Income for the period	-	-	-	948,748	948,748
Foreign currency translation differences on foreign operations	-	-	71,187	-	71,187
Total comprehensive income for the period	-	-	71,187	948,748	1,019,935
Stock-based compensation	-	17,717	-	-	17,717
Balance, as at September 30, 2020	17,204,855	2,186,666	1,516,366	(8,146,468)	12,761,419
Balance, as at January 1, 2021	17,204,855	2,189,248	1,136,890	(7,006,372)	13,524,621
Total comprehensive income for the period					
Income for the period	-	-	-	(286,526)	(286,526)
Foreign currency translation differences on foreign operations	-	-	396,425	-	396,425
Total comprehensive income for the period	-	-	396,425	(286,526)	109,899
Stock options exercised	84,575	-	-	-	84,575
Stock-based compensation	-	8,439	-	-	8,439
	84,575	8,439	-	-	93,014
Balance, as at September 30, 2021	17,289,430	2,197,687	1,533,315	(7,292,898)	13,727,534

Biorem Inc.

Condensed consolidated interim statements of cash flows

Nine months ended September 30, 2021 and 2020

(In Canadian dollars, unaudited)	Notes	2021	2020
		\$	\$
Operating activities			
Net earnings		(286,526)	948,748
Items not involving cash:			
Depreciation		250,000	144,491
Deferred tax expense(recovery)		(76,510)	288,732
Accretion lease interest		31,759	-
Stock option compensation		8,439	17,717
		(72,838)	1,399,688
Change in non-cash operating working capital			
Accounts receivable		3,092,227	(566,137)
Unbilled revenue		(609,512)	(250,452)
Inventories		(1,232,883)	373,185
Prepaid expenses and deposits		(987,082)	1,056,733
Accounts payable		741,621	(439,366)
Accrued liabilities and provision		(395,247)	531,920
Income taxes payable		(65,500)	12,163
Provisions		75,232	36,853
Unearned revenue		46,412	1,250,094
Cash provided by (used in) operations		592,430	3,404,681
Investing activities			
Purchase of equipment		(52,157)	(269,426)
		(52,157)	(269,426)
Financing activities			
Payment of lease liabilities		(128,257)	(82,260)
Proceeds from issuance of common shares on exercise of stock options		84,575	-
		(43,682)	(82,260)
Foreign exchange gain (loss) on foreign denominated cash and cash equivalents		546,425	(137,338)
Increase (decrease) in cash and cash equivalents		1,043,016	2,915,657
Cash and cash equivalents, beginning of year		8,869,394	6,469,023
Cash and cash equivalents, end of period		9,912,410	9,384,680

Biorem Inc.

Notes to the condensed consolidated interim financial statements September 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

b) *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 November 24, 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, and 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.

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 September 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		Nine months ending	
	Sept 2021	Sept 2020	Sept 2021	Sept 2020
	\$	\$	\$	\$
Canada	2,035,292	1,258,950	4,956,589	5,456,426
United States	1,531,784	1,907,596	6,851,353	8,998,121
China	380,629	414,521	914,285	1,900,233
Other	628,320	4,957	916,624	86,436
Total	4,576,025	3,586,024	13,638,851	16,441,216

Capital assets	Period ending	
	Sept 2021	Sept 2020
	\$	\$
Canada	639,849	342,290
United States	491,768	40,057
China	84,964	108,489
Total	1,216,581	490,836

5. Other expense (income)

The composition of other expense (income) is as follows:

	Three months ended		Nine months ended	
	Sept 2021	Sept 2020	Sept 2021	Sept 2020
			\$	\$
Government funding	-	(295,962)	(25,000)	(295,962)
Investment tax credits	-	-	-	-
Foreign exchange (gain) loss	268,945	49,586	229,197	(236,052)
Total	268,945	(246,376)	204,197	(532,014)

Biorem Inc.

Notes to the condensed consolidated interim financial statements September 30, 2021 and 2020 (Unaudited)

6. Provisions

Warranty	2021	2020
	\$	\$
At January 1,	542,112	472,340
Provisions used during the period	(827)	(8,447)
Provisions made during the period	66,570	45,300
At September 30,	\$ 607,855	509,193

7. Financial Instruments

Fair value of financial instruments

	September 30 2021		December 31 2020	
	Carrying Amount	Fair value	Carrying Amount	Fair value
	\$	\$	\$	\$
Financial assets				
Cash	9,912,410	9,912,410	8,869,324	8,869,324
Accounts receivable	3,229,194	3,229,194	6,322,217	6,322,217
	13,141,604	13,141,604	15,191,541	15,191,541
Financial liabilities				
Accounts payable and accrued liabilities	4,828,870	4,828,870	3,791,563	3,791,563
Lease liabilities	699,917	699,917	828,173	828,173
	5,528,787	5,528,787	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. The fair value of short- term debt has been determined based on current market conditions.

Biorem Inc.

Notes to the condensed consolidated interim financial statements
September 30, 2021 and 2020
(Unaudited)

8. Earnings per share

	Three months ended		Nine months ended	
	Sept 2021	Sept 2020	Sept 2021	Sept 2020
Net earnings	\$ (115,394)	\$ 155,278	\$ (286,526)	\$ 948,748
Common shares outstanding	38,911,558	38,661,558	38,911,558	38,661,558
Dilutive options	1,426,108	69,429	1,426,108	69,429
Total	<u>40,337,666</u>	<u>38,730,987</u>	<u>40,337,666</u>	<u>38,730,987</u>