

Condensed Consolidated Interim Financial Statements of

Biorem Inc.

Periods ended March 31, 2022 and 2021

(Unaudited)

Biorem Inc.

March 31, 2022 and 2021

(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, 2022 and December 31, 2021

(In Canadian dollars, unaudited)	Notes	March 31, 2022	December 31, 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,584,168	4,471,304
Accounts receivable		3,788,764	6,506,760
Unbilled revenue		4,193,776	3,626,819
Inventories		1,265,436	901,670
Prepaid expenses and deposits		594,044	658,884
		13,426,188	16,165,437
Non-current assets			
Equipment and leasehold improvements		1,081,266	1,145,070
Deferred tax assets		1,891,034	1,855,547
Total assets		16,398,488	19,166,054
Liabilities			
Current liabilities			
Accounts payable	9	2,857,741	5,065,853
Accrued liabilities		2,268,932	2,512,982
Lease liabilities		178,783	185,687
Income taxes payable		445,831	445,831
Provisions	8	563,141	490,225
Unearned revenue		3,064,369	3,021,251
Interest bearing loans	7	1,190,126	1,508,811
		10,568,923	13,230,640
Non-current liabilities			
Interest bearing loans	7	3,371,236	3,501,189
Lease liabilities		505,210	469,916
		3,876,446	3,971,105
Shareholders' equity			
Common shares		4,906,353	4,906,353
Contributed surplus		2,169,648	2,169,648
Accumulated other comprehensive income		687,156	597,343
Deficit		(5,810,038)	(5,709,035)
Total shareholders' equity		1,953,119	1,964,309
Total liabilities and shareholders' equity			
		16,398,488	19,166,054

See accompanying notes to condensed consolidated interim financial statements

Biorem Inc.

Consolidated statements of operations

Three months ended March 31, 2022 and 2021

(In Canadian dollars, unaudited)	Notes	2022	2021
		\$	\$
Revenue		4,380,756	3,428,866
Cost of goods sold		3,501,845	3,150,671
Gross profit		878,911	278,195
Expenses			
Sales and marketing		565,391	460,101
Research and development		9,814	2,455
General and administration		365,813	275,713
Other expense	5	1,052	97,979
Total operating expenses		942,070	836,248
Earnings (loss) from operations		(63,159)	(558,053)
Finance costs	7	73,331	10,461
Earnings (loss) before tax		(136,490)	(568,514)
Income tax (recovery)		(35,487)	(147,814)
Net earnings (loss)		(101,003)	(420,700)
Earnings (loss) per share, basic		(0.007)	(0.01)
Earnings (loss) per share, diluted		(0.007)	(0.01)

See accompanying notes to consolidated financial statements.

Biorem Inc.

Condensed consolidated interim statement of comprehensive income (loss) Three months ended March 31, 2022 and 2021

(In Canadian dollars, unaudited)		2022	2021
		\$	\$
Net income (loss)		(101,003)	(258,191)
Other comprehensive income (loss)			
Item that will not be reclassified into profit and loss			
Foreign currency translation differences on foreign operations		89,813	162,509
Total comprehensive income for the period		(11,190)	(95,682)

Biorem Inc.

Consolidated statements of changes in shareholders' equity

Three months ended March 31, 2022 and 2021

In Canadian dollars	Notes	Common shares	Contributed surplus	Accumulated other comprehensive income(loss)	Deficit	Total
		\$	\$	\$	\$	\$
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
Balance, as at January 1, 2022		4,906,353	2,169,648	597,343	(5,709,035)	1,964,309
Earnings(loss) for the period		-	-	-	(101,003)	(101,003)
Foreign currency translation differences on foreign operations		-	-	89,813	-	89,813
Total comprehensive earnings (loss) for the period		-	-	89,813	(101,003)	(11,190)
Stock-based compensation		-	-	-	-	-
		-	-	-	-	-
Balance, as at March 31, 2022		4,906,353	2,169,648	687,156	(5,810,038)	1,953,119

See accompanying notes to condensed consolidated interim financial statements

Biorem Inc.

Condensed consolidated interim statements of cash flows

Three months ended March 31, 2022 and 2021

(In Canadian dollars, unaudited)	Notes	2022	2021
		\$	\$
Operating activities			
Net earnings(loss)		(101,003)	(420,700)
Items not involving cash:			
Deferred tax expense		(35,487)	147,814
Depreciation		80,789	78,669
Stock based compensation		-	8,439
Accretion lease interest		9,609	11,253
		(46,092)	(174,525)
Change in non-cash operating working capital			
Accounts receivable		2,624,285	2,683,889
Unbilled revenue		(474,084)	61,840
Inventories		(379,250)	(163,394)
Prepaid expenses and deposits		58,531	(297,992)
Accounts payable		(2,196,075)	181,123
Accrued liabilities		(134,888)	(448,521)
Income taxes payable		-	(715)
Provisions		72,915	7,170
Unearned revenue		(46,692)	(171,746)
Cash provided by (used in) operating activities		(521,350)	1,677,129
Investing activities			
Purchase of equipment, leasehold improvements		(16,984)	(13,707)
Cash provided by (used in) investing activities		(16,984)	(13,707)
Financing activities			
Repayments operating loan advances	7	(329,999)	-
Proceeds from issuance of common shares on exercise of stock options		-	46,075
Payment of lease liabilities		(54,592)	(54,593)
Payments of principal term loan	7	(118,639)	-
Cash provided by (used in) financing activities		(503,230)	(8,518)
Foreign exchange gain(loss) on foreign denominated cash and cash equivalents		154,428	(282,469)
Increase(decrease) in cash and cash equivalents		(887,136)	1,372,435
Cash and cash equivalents, beginning of year		4,471,304	8,869,394
Cash and cash equivalents, end of year		3,584,168	10,241,829

Biorem Inc.

Notes to the consolidated interim financial statements

March 31, 2022 and 2021

(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 20, 2022.

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

March 31, 2022 and 2021

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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 2021 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 2022	March 2021	March 2022	March 2021
	\$	\$	\$	\$
Canada	1,552,020	1,331,332	576,996	730,899
United States	2,390,168	1,992,505	451,944	489,427
China	258,420	-	52,326	129,731
Other	180,148	105,029	-	-
Total	4,380,756	3,428,866	1,081,266	1,350,057

5. Other expense

The composition of other expense is as follows:

	Three months ended	
	March 2021	March 2021
	\$	\$
Foreign exchange loss	1,052	97,979
Total	1,052	97,979

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
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7. Interest-bearing loans

Current	Interest rate	Maturity	March 31 2022	December 31 2021
	%		\$	\$
Working capital loan	Prime + .075	On demand	680,001	1,010,000
Current portion term loan	4.07	2022	510,125	498,811.00
			1,190,126	1,508,811
<hr/>				
Non-current				
Term loan	4.07	12/01/28	3,881,361	4,000,000
Current portion	4.07	2022	(510,125)	(498,811)
			3,371,236	3,501,189

On December 1, 2021 the Company secured a \$4,000,000 term loan and a \$3,000,000 operating line of credit from a Canadian chartered bank. Both the working capital loan and the term loan are secured by a general security agreement and first charge over all the assets of The Company. The term loan is repayable over 84 months in blended payments of \$54,893 due on the 15th of each month.

8. Provisions

Warranty

At December 31, 2021	\$490,225
Provisions used during the period	-
Provisions made during the period	72,916
At March 31, 2022	\$ 563,141

Biorem Inc.

Notes to the consolidated interim financial statements

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9. Financial Instruments

Categories and fair value of financial instruments

	March 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,584,168	3,584,168	4,471,304	4,471,304
Accounts receivable	3,788,764	3,788,764	6,506,760	6,506,760
	<u>7,372,932</u>	<u>7,372,932</u>	<u>10,978,064</u>	<u>10,978,064</u>
Financial liabilities				
Accounts payable and accrued liabilities	5,126,673	5,126,673	7,578,835	7,578,835
Interest bearing loans	4,561,362	4,561,362	5,010,000	5,010,000
Lease liabilities	683,993	683,993	655,603	655,603
	<u>10,372,028</u>	<u>10,372,028</u>	<u>13,244,438</u>	<u>13,244,438</u>

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.