

Condensed Consolidated Interim Financial Statements of

Biorem Inc.

Periods ended March 31, 2023 and 2022

(Unaudited)

Biorem Inc.

March 31, 2023 and 2022

(unaudited)

Table of contents

Condensed consolidated interim statements of financial position.....	3
Condensed consolidated interim statements of operations	4
Condensed consolidated interim statements of comprehensive loss	5
Condensed consolidated interim statements of changes in shareholders' equity.....	6
Condensed consolidated interim statements of cash flows	7
Notes to the condensed consolidated interim financial statements.....	8-11

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, 2023 and December 31, 2022

(In Canadian dollars, unaudited)	Notes	March 31, 2023	December 31, 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		4,696,041	3,775,018
Accounts receivable		4,280,933	8,357,136
Unbilled revenue		4,360,812	3,883,744
Inventories		955,279	888,045
Prepaid expenses and deposits		1,091,740	870,618
		15,384,805	17,774,561
Non-current assets			
Equipment and leasehold improvements		1,004,760	1,016,297
Deferred tax assets		2,135,077	1,939,202
Total assets		18,524,642	20,730,060
Liabilities			
Current liabilities			
Accounts payable	9	3,249,251	4,710,820
Accrued liabilities		1,715,104	2,663,647
Lease liabilities		209,946	157,476
Income taxes payable		893,427	893,426
Provisions	8	463,462	621,988
Unearned revenue		3,257,435	2,573,470
Interest bearing loans	7	1,485,973	1,300,998
		11,274,598	12,921,825
Non-current liabilities			
Interest bearing loans	7	2,840,317	2,975,243
Lease liabilities		302,241	312,439
		3,142,558	3,287,682
Shareholders' equity			
Common shares		4,997,423	4,909,423
Contributed surplus		2,271,871	2,260,271
Accumulated other comprehensive income		1,491,662	1,446,837
Deficit		(4,653,470)	(4,095,978)
Total shareholders' equity		4,107,486	4,520,553
Total liabilities and shareholders' equity		18,524,642	20,730,060

Biorem Inc.

Consolidated statements of operations Three months ended March 31, 2023 and 2022

(In Canadian dollars, unaudited)	Notes	2023	2022
		\$	\$
Revenue		3,169,284	4,380,756
Cost of goods sold		3,052,294	3,501,845
Gross profit		116,990	878,911
Expenses			
Sales and marketing		522,638	565,391
Research and development		1,012	9,814
General and administration		399,485	365,813
Other expense	5	(117,211)	1,052
Total operating expenses		805,924	942,070
Earnings (loss) from operations		(688,934)	(63,159)
Finance costs	7	64,433	73,331
Earnings (loss) before tax		(753,367)	(136,490)
Income tax (recovery)		(195,875)	(35,487)
Net earnings (loss)		(557,492)	(101,003)
Earnings (loss) per share, basic		(0.036)	(0.007)
Earnings (loss) per share, diluted		(0.036)	(0.007)

See accompanying notes to consolidated financial statements.

Biorem Inc.

Condensed consolidated interim statement of comprehensive income (loss) Three months ended March 31, 2023 and 2022

(In Canadian dollars, unaudited)	2023	2022
	\$	\$
Net income (loss)	(557,492)	(101,003)
Other comprehensive income (loss)		
Item that will not be reclassified into profit and loss		
Foreign currency translation differences on foreign operations	44,825	89,313
Total comprehensive income for the period	(512,667)	(11,690)

Biorem Inc.

Consolidated statements of changes in shareholders' equity

Three months ended March 31, 2023 and 2022

In Canadian dollars	Notes	Common shares	Contributed surplus	Accumulated other comprehensive income(loss)	Deficit	Total
		\$	\$	\$	\$	\$
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
Balance, as at January 1, 2023		4,909,423	2,260,271	1,446,837	(4,095,978)	4,520,553
Earnings(loss) for the period		-	-	-	(557,492)	(557,492)
Foreign currency translation differences on foreign operations		-	-	44,825	-	44,825
Total comprehensive earnings (loss) for the period		-	-	44,825	(557,492)	(512,667)
Stock options exercised		88,000	(19,000)	-	-	69,000
Stock-based compensation		-	30,600	-	-	30,600
		88,000	11,600	-	-	99,600
Balance, as at March 31, 2023		4,997,423	2,271,871	1,491,662	(4,653,470)	4,107,486

See accompanying notes to condensed consolidated interim financial statements

Biorem Inc.

Condensed consolidated interim statements of cash flows Three months ended March 31, 2023 and 2022

(In Canadian dollars, unaudited)	Notes	2023	2022
		\$	\$
Operating activities			
Net earnings(loss)		(497,140)	(101,003)
Items not involving cash:			
Deferred tax expense (recovery)		(195,875)	(35,487)
Depreciation		82,063	80,789
Stock based compensation		30,600	-
Accretion lease interest		11,587	9,609
		(568,765)	(46,092)
Change in non-cash operating working capital			
Accounts receivable		4,216,839	2,624,285
Unbilled revenue		(475,622)	(474,084)
Inventories		(67,582)	(379,250)
Prepaid expenses and deposits		(220,875)	58,531
Accounts payable		(1,501,051)	(2,196,075)
Accrued liabilities		(915,215)	(134,888)
Income taxes payable		163	-
Provisions		(158,526)	72,915
Unearned revenue		687,188	(46,692)
Cash provided by (used in) operating activities		996,554	(521,350)
Investing activities			
Purchase of equipment, leasehold improvements		(68,334)	(16,984)
Cash provided by (used in) investing activities		(68,334)	(16,984)
Financing activities			
(Repayment to) proceeds from operating loan	7	180,000	(329,999)
Proceeds from issuance of common shares on exercise of stock options		69,000	-
Payment of lease liabilities		(42,272)	(54,592)
Repayment to term loan	7	(129,951)	(118,639)
Cash provided by (used in) financing activities		76,777	(503,230)
Foreign exchange gain(loss) on foreign denominated cash and cash equivalents		(83,974)	154,428
Increase(decrease) in cash and cash equivalents		921,023	(887,136)
Cash and cash equivalents, beginning of year		3,775,018	4,471,304
Cash and cash equivalents, end of year		4,696,041	3,584,168

Biorem Inc.

Notes to the consolidated interim financial statements

March 31, 2023 and 2022

(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 2022 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 24, 2023.

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, 2023 and 2022

(unaudited)

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 2022 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 2023	March 2022	March 2023	March 2022
	\$	\$	\$	\$
Canada	745,557	1,552,020	574,498	576,996
United States	2,256,277	2,390,168	430,262	451,944
China	15,937	258,420	-	52,326
Other	151,513	180,148	-	-
Total	3,169,284	4,380,756	1,004,760	1,081,266

5. Other expense

The composition of other expense is as follows:

	Three months ended	
	March 2023	March 2022
	\$	\$
Foreign exchange loss (gain)	117,211	1,052
Total	117,211	1,052

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, 2023 and 2022

(unaudited)

7. Interest-bearing loans

Current	Interest rate	Maturity	March 31 2023	December 31 2022
	%		\$	\$
Working capital loan	Prime +.075	On demand	955,001	775,001
Current portion term loan	4.07	2022	530,972	525,997
			1,485,973	1,300,998
Non-current				
Term loan	4.07	12/01/28	3,371,289	3,501,240
Current portion	4.07	2022	(530,972)	(525,997)
			2,840,317	2,975,243

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, 2022	\$ 621,988
Provisions used during the period	(8,384)
Provisions made during the period	(150,142)
At March 31, 2023	\$ 463,462

Biorem Inc.

Notes to the consolidated interim financial statements March 31, 2023 and 2022 (unaudited)

9. Financial Instruments

Categories and fair value of financial instruments

	March 31, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	4,696,041	4,696,041	3,775,018	3,775,018
Accounts receivable	4,280,933	4,280,933	8,557,136	8,557,136
	<u>8,976,974</u>	<u>8,976,974</u>	<u>12,332,154</u>	<u>12,332,154</u>
Financial liabilities				
Accounts payable and accrued liabilities	4,964,355	4,964,355	7,435,599	7,435,599
Interest bearing loans	4,326,290	4,412,816	4,276,241	4,370,655
Lease liabilities	512,919	512,919	469,915	469,915
	<u>9,803,564</u>	<u>9,890,090</u>	<u>12,181,755</u>	<u>12,276,169</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.

The fair values of the Company's interest bearing loans are determined by using the DCF method using a discount rate that reflects the issuer's assumed borrowing rate of 8% at the end of the reporting period. The non-performance risk as at March 31, 2023 and December 31, 2022 was assessed to be insignificant.