

Condensed consolidated interim financial statements of

Biorem Inc.

Periods ended June 30, 2022 and 2021

(Unaudited)

Biorem Inc.

June 30, 2022 and 2021

(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 income (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 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, 2022 and December 31, 2021

(In Canadian dollars, unaudited)	Notes	June 30, 2022	December 31, 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		4,298,493	4,471,304
Accounts receivable		5,579,589	6,506,760
Unbilled revenue		4,017,903	3,626,819
Inventories		1,727,832	901,670
Prepaid expenses and deposits		394,180	658,884
		16,017,997	16,165,437
Non-current assets			
Equipment and leasehold improvements		1,082,647	1,145,070
Deferred tax assets		1,841,897	1,855,547
Total assets		18,942,541	19,166,054
Liabilities			
Current liabilities			
Accounts payable	9	3,149,889	5,065,853
Accrued liabilities		4,323,943	2,512,982
Lease liabilities		246,590	185,687
Income taxes payable		109,594	445,831
Provisions	8	561,641	490,225
Unearned revenue		3,232,807	3,021,251
Interest bearing loans	7	1,520,382	1,508,811
		13,144,846	13,230,640
Non-current liabilities			
Interest bearing loans	7	3,240,714	3,501,189
Lease liabilities		317,963	469,916
		3,558,677	3,971,105
Shareholders' equity			
Common shares		4,906,353	4,906,353
Contributed surplus		2,176,854	2,169,648
Accumulated other comprehensive loss		800,826	597,343
Deficit		(5,645,015)	(5,709,035)
Total shareholders' equity		2,239,018	1,964,309
Total liabilities and shareholders' equity		18,942,541	19,166,054

See accompanying notes to consolidated financial statements.

Biorem Inc.

Condensed consolidated interim statements of operations Three and six months ended June 30, 2022 and 2021

(In Canadian dollars, unaudited)	Notes	Three months ended		Six months ended	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenue		6,264,033	5,633,960	10,644,789	9,062,826
Cost of goods sold		4,807,570	4,517,849	8,309,414	7,668,520
Gross profit		1,456,463	1,116,111	2,335,375	1,394,306
Expenses (income)					
Sales and marketing		571,540	499,200	1,136,931	959,300
Research and development		37,561	771	47,375	3,225
General and administration		472,233	404,505	838,046	680,218
Other expense (income)	5	89,029	(162,727)	90,081	(64,747)
Total operating expenses		1,170,363	741,749	2,112,433	1,577,996
Earnings from operations		286,100	374,362	222,942	(183,690)
Finance costs		62,508	11,886	135,840	22,347
Net earnings (loss) before tax		223,592	362,476	87,102	(206,037)
Income tax expense		59,252	96,056	23,082	(54,600)
Net earnings (loss)		164,340	266,420	64,020	(151,437)
Earnings per share, basic	10	\$ 0.011	\$ 0.007	\$ 0.004	\$ -
Earning per share, diluted	10	\$ 0.010	\$ 0.007	\$ 0.004	\$ -

Biorem Inc.

Condensed consolidated interim statements of comprehensive income (loss) Three and six months ended June 30, 2022 and 2021

(In Canadian dollars, unaudited)	Three months ended		Six months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net earnings (loss)	164,340	266,420	64,020	(151,437)
Other comprehensive income				
Item which may be reclassified into profit and loss:				
Foreign currency translation loss on foreign operations	113,670	25,475	203,483	187,984
Total comprehensive income (loss) for the period	278,010	291,895	267,503	36,547

Biorem Inc.

Condensed Consolidated interim statements of shareholders' equity

Six months ended June 30, 2022 and 2021

(In Canadian dollars, unaudited)	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
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
Balance, as at January 1, 2022	4,906,353	2,169,648	597,343	(5,709,035)	1,964,309
Earnings for the period	-	-	-	64,020	64,020
Foreign currency translation differences on foreign operations	-	-	203,483	-	203,483
Total comprehensive earnings for the period	-	-	203,483	64,020	267,503
Stock-based compensation	-	7,206	-	-	7,206
	-	7,206	-	-	7,206
Balance, as at June, 2022	4,906,353	2,176,854	800,826	(5,645,015)	2,239,018

Biorem Inc.

Condensed consolidated interim statements of cash flows

Six months ended June 30, 2022 and 2021

(In Canadian dollars, unaudited)	Notes	2022	2021
		\$	\$
Operating activities			
Net earnings (loss)		64,020	(151,437)
Items not involving cash:			
Deferred tax expense (recovery)		13,650	(54,600)
Depreciation		172,561	172,562
Accretion lease interest		17,150	22,506
Stock option compensation		7,206	8,439
		274,587	(2,530)
Change in non-cash operating working capital			
Accounts receivable		1,002,791	(139,239)
Unbilled revenue		(565,006)	433,291
Inventories		(771,930)	(736,289)
Prepaid expenses and deposits		265,548	(510,005)
Accounts payable		(1,858,882)	856,208
Accrued liabilities		2,171,012	(1,400)
Income taxes payable		(336,416)	(65,500)
Provisions		66,723	48,970
Unearned revenue		181,969	1,205,411
Cash provided by (used in) operations		430,396	1,088,917
Investing activities			
Purchase of equipment, leasehold improvements		(98,824)	(29,289)
		(98,824)	(29,289)
Financing activities			
Proceeds (repayments) of operating loan		(5,000)	-
Term loan repayments		(243,905)	-
Payment of lease liabilities		(109,589)	(119,169)
Proceeds from issuance of common shares on exercise of stock options		-	84,575
		(358,494)	(34,594)
Foreign exchange gain(loss) on foreign denominated cash and cash equivalents		(145,889)	331,835
Increase(decrease) in cash and cash equivalents		(172,811)	1,356,869
Cash and cash equivalents, beginning of year		4,471,304	8,869,394
Cash and cash equivalents, end of period		4,298,493	10,226,263

Biorem Inc.

Notes to the condensed consolidated interim financial statements

June 30, 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 2021 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 August 22, 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., 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 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.

Biorem Inc.

Notes to the condensed consolidated interim financial statements June 30, 2022 and 2021 (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 2022	June 2021	June 2022	June 2021
	\$	\$	\$	\$
Canada	2,638,658	1,589,964	4,190,679	2,921,296
United States	3,320,040	3,325,394	5,708,052	5,317,898
China	141,771	541,708	400,190	533,656
Other	163,564	176,894	345,868	289,976
Total	6,264,033	5,633,960	10,644,789	9,062,826

Capital assets (1)	Period ending	
	June 2022	June 2021
	\$	\$
Canada	555,757	678,291
United States	481,422	483,446
China	45,468	107,378
Total	1,082,647	1,269,115

(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 2022	June 2021	June 2022	June 2021
			\$	\$
Government funding	-	25,000	-	25,000
Foreign exchange gain(loss)	(89,029)	137,727	(90,081)	39,748
Total	(89,029)	162,727	(90,081)	64,748

Biorem Inc.

Notes to the condensed consolidated interim financial statements

June 30, 2022 and 2021

(Unaudited)

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.

7. Interest-bearing loans

			June 30	December 31
Current	Interest rate	Maturity	2022	2021
	%		\$	\$
Working capital loan	Prime +.075	On demand	1,005,000	1,010,000
Current portion term loan	4.07	2022	515,382	498,811.00
			<u>1,520,382</u>	<u>1,508,811</u>
Non-current				
Term loan	4.07	12/01/28	3,756,096	4,000,000
Current portion	4.07	2022	(515,382)	(498,811)
			<u>3,240,714</u>	<u>3,501,189</u>

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	2022	2021
	\$	\$
At December 31	490,225	542,112
Provisions used during the period	(25,327)	(11,164)
Provisions made during the period	96,742	32,803
At June 30	<u>\$ 561,641</u>	<u>\$ 586,081</u>

Biorem Inc.

Notes to the condensed consolidated interim financial statements June 30, 2022 and 2021 (Unaudited)

9. Financial Instruments

Fair value of financial instruments

	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	4,298,493	4,298,493	4,471,304	4,471,304
Accounts receivable	5,579,589	5,579,589	6,506,760	6,506,760
	<u>9,878,082</u>	<u>9,878,082</u>	<u>10,978,064</u>	<u>10,978,064</u>
Financial liabilities				
Accounts payable and accrued liabilit	7,473,832	7,473,832	7,578,835	7,578,835
Interest bearing loans	4,761,096	4,761,096	5,010,000	5,010,000
Lease liabilities	564,553	564,553	655,603	655,603
	<u>12,799,481</u>	<u>12,799,481</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.

10. Earnings per share

	Three months ended		Six months ended	
	June 2022	June 2021	June 2022	June 2021
	\$	\$	\$	\$
Net earnings(loss)	164,340	266,420	64,020	(151,437)
Common shares outstanding	15,477,437	38,854,058	15,477,437	38,854,058
Dilutive Options	1,725,801	1,316,432	1,725,801	1,316,432
Total	<u>17,203,238</u>	<u>40,170,490</u>	<u>17,203,238</u>	<u>40,170,490</u>