BIOREM Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")

For the Quarter Ended September 30, 2022

Introduction

This Management Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the Company's consolidated results of operation and financial condition. This discussion should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2021 and the accompanying notes, which are prepared in accordance with International Financial Reporting Standards or "IFRS" and the Company's condensed consolidated interim financial statements for the period ended September 30, 2022. This discussion is based on information available to management as of November 14, 2022, unless otherwise indicated.

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars.

The core business of the Company is to provide advanced technology biological filters for removal of odors, volatile organic compounds (VOCs), hazardous air pollutants (HAPs) and for the conditioning of biogas renewable energy. With over 1,800 installed systems and over a decade of experience, the Company's groundbreaking biofilters are the technology of choice for wastewater treatment plants across North America. Additional information about the Company, including our most recently filed Annual Report, is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are used to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this MD&A, November 14, 2022. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances.

Non-IFRS Measures

“EBITDA,” “Order Bookings,” “Order Backlog” and “Working capital” do not have any standardized meaning prescribed by IFRS and may not be comparable to measures presented by other companies.

EBITDA is used to denote earnings (loss) from operations before interest, income taxes, foreign exchange gains and losses, depreciation and amortization. This measure is important to the Company since it is used by potential investors and lenders to evaluate the ongoing cash generating capability of the Company and thus the amounts they are willing to invest and lend to the Company.

Order Bookings and Order Backlog are non-IFRS measures that the Company uses to evaluate its sales performance. Order Bookings are those binding contracts that the Company enters into during a fiscal year with a third party for the delivery of our products or services. As Order Bookings are received, the contract value (before any associated sales taxes) is included in the Order Backlog. The Order Backlog is reduced by the revenue that is recognized on each project and is also adjusted for foreign exchange changes in the period presented.

Overview

Biorem is a leading clean technology company that designs, manufactures and distributes a comprehensive line of high-efficiency emissions control systems used to eliminate odors, volatile organic compounds (VOCs) and hazardous air pollutants (HAPs). Biorem also offers Biogas Conditioning technologies specializing in biological treatment of hydrogen sulfide.

Biorem offers a selection of products that can be tailored to suit application specific requirements. Biorem ensures optimized long-term performance on every application by custom-designing systems to meet the individual needs of their clients.

Biorem has sales and manufacturing offices across North America and in China, a dedicated research facility, a worldwide sales representative network, and a dedicated service and support division. As a result, Biorem has the resources available to ensure that projects are handled promptly and professionally from conception to completion.

The Company has more than 1,800 installed systems worldwide.

Significant Events For The Second Quarter 2022

Key events of note in Q3 2022 include the following:

- Revenues for the quarter were $7.3 million, a 60% increase from the same period in the previous year with year to date revenues totaling $17.9 million, a 32 % increase over the same nine month period in the prior year.

- Order bookings for the quarter were $8.0 million

- Order backlog stood at a record $43 million at the end of the quarter

- Net earnings for the quarter was $761,000 or $0.05 per share

- Working capital on September 30, 2022 increased to $4.2 million

Selected Quarterly Information (Unaudited)

(in ,000's)	Sept 2022	June 2022	March 2022	Dec 2021	Sept 2021	June 2021	March 2021	Dec 2020
Cash and cash equivalents	3,568	4,298	3,584	4,471	9,912	10,226	10,242	8,869
Accounts receivable	7,794	5,580	3,789	6,507	3,229	6,536	3,781	6,322
Unbilled revenue	3,295	4,018	4,194	3,627	1,894	846	1,220	1,282
Working capital	4,232	2,873	2,857	2,935	10,690	10,635	10,220	10,457
Total assets	20,422	18,943	16,398	19,166	22,597	24,202	21,250	21,953
Accounts payable	5,873	3,150	2,858	5,066	2,476	2,806	1,981	1,809
Accrued liabilities	2,528	4,324	2,269	2,513	2,353	2,569	2,053	2,594
Unearned revenue	2,944	3,233	3,064	3,021	2,656	3,768	2,346	2,528
Interest bearing loans	4,420	4,761	4,561	5,010	-	-	-	-
Shareholders' equity	3,459	2,239	1,953	1,964	13,728	13,654	13,321	13,525

Selected Statement of Operations information for the three month periods ended

(in ,000's)	Sept 2022	June 2022	March 2022	Dec 2021	Sept 2021	June 2021	March 2021	Dec 2020
Revenue	7,307	6,264	4,381	10,839	4,576	5,634	3429	7,934
Cost of goods sold	4,790	4,808	3,502	7,134	3,439	4,518	3151	4,281
Gross margin	2,517	1,456	879	3,705	1,137	1,116	278	3,653
Total operating expenses	1,414	1,170	942	1,306	1,282	742	836	2,229
Finance costs	68	63	73	2	11	12	10	41
Net earnings (loss)	761	164	(101)	1,567	(115)	266	(421)	1,133
EPS-basic	0.05	0.011	(0.007)	0.046	(0.003)	0.007	(0.01)	0.03
EPS- fully diluted	0.04	0.010	(0.007)	0.046	(0.003)	0.007	(0.01)	0.03
Common shares outstanding	15,497,437	15,477,437	15,477,437	15,477,437	38,911,558	38,911,558	38,661,558	38,661,558

All amounts except Working capital have been determined under IFRS.

Financial Results For The Three Months Ended September 30, 2022

The following analysis of the results of operations for the three months ended September 30, 2022 includes comparisons to the three months ended June 30, 2022 and September 30, 2021.

Revenues

Revenues for the quarter were $7.3 million, a $1.0 million or 17% increase over the previous quarter and a $2,731,000 or 60% increase over the three months ended September 30, 2021. The increase in Q3 2022 revenues over the previous quarter and the same quarter in the prior year was largely the result of the increased sales order back log at the beginning of Q3 2022 and $934,000 of revenues from operations in China in Q3 2022.

Revenue by Geography

	Sept 2022	June 2022	Sept 2021
Canada	871,000	2,639,000	$2,035,000
United States	5,406,000	3,320,000	1,532,000
China	994,000	142,000	381,000
Other	37,000	163,000	628,000
Total Revenue	7,307,000	6,264,000	$4,576,000

Biorem's core market is the North American municipal odour control market with international distribution established in China, Middle East, Americas and South Africa as well as opportunistically in other jurisdictions. Project delivery mix varies from quarter to quarter but from the data it is evident that the Company relies heavily on the USA and Canada. The project mix in the current backlog of the Company is consistent with the geographic mix shown in the table.

A number of factors contribute to variations in the Company's quarterly results: customer scheduling and delivery of our products, the Company's mix of product and service offerings, the currency in which the revenue is earned and the timing of revenue recognition.

Bookings and Backlog

	September 2022	June 2022	September 2021
Order Bookings	$8,000,000	$12,500,000	$5,400,000

Order Bookings are those binding contracts that the Company enters into with a third party for the delivery of our products or services. Bookings can vary considerably from quarter to quarter, due to both the size of the contracts won and the timing of the awarding of the contracts.

Bookings during the third quarter totaled over $8 million. The booked orders came primarily from Canada and the United States. The Company's bidding activity during the fourth quarter remains high with a large number and value of projects bid remaining to be awarded.

Order Backlog	September 2022	June 2022	September 2021
	$43,000,000	$38,000,000	$30,000,000

The value of the Company's order backlog at September 30, 2022 stood at $43 million a $5.0 million increase over the value of the backlog on June 30, 2022 and a $13 million increase over the order backlog one year ago. The increase in order backlog is due to the increased bidding activity of the company as well as an increase in the value expressed in $CAD of $US denominated sales orders due to the increase in the value of the $USD over the $CAD.

Due to customer scheduling, the Company cannot provide precise guidance as to the quarters when the Backlog will be converted into revenue however management's current estimate is that approximately seventy five percent of the Backlog will be converted into revenue during the next twelve months.

Gross Profit and Operating Expenses

Gross Profit	September 2022	June 2022	September 2021
	$2,518,000	$ 1,456,000	$1,137,000

Gross profit of $2.5 million in the quarter increased $1,062,000 or 73% over the previous quarter and $1,381,000, a 121% increase over the same quarter in 2021. The increase in gross profit between the quarters is largely related to the increase in the revenue reported in the respective quarters. $1,170,000 of the gross profit increase in September over the same quarter in the prior year was due to the increase in revenues and $211,000 of the increase was due to margin improvement. Gross profit percentage in the quarter was 34.4% of revenue compared to 23.3% for the quarter ended June 30, 2022 and 24.8% for the three months ended September 30, 2021.

Sales and Marketing	September 2022	June 2022	September 2021
	$709,000	$572,000	$482,000

The Company's sales and marketing expenditures are composed of two significant categories; variable selling costs and sales department expenditures.

Variable selling costs represent amounts that are paid to both internal sales employees and external manufacturer representatives. These costs are incurred when the project revenue is recognized during the period. Sales department expenditures relate primarily to departmental salaries and advertising expenses.

Sales and marketing costs for the third quarter of 2022 totaled $709,000 and represented 9.7% of revenue compared to the 9.1 % of revenue that sales and marketing costs represented for the previous quarter. The increase in the quarter is all due to the increase in variable selling costs tied to the revenue increase. Year to date sales and marketing costs are 10.3% of reported revenue compared to 8.6% for the year ended December 31, 2021

Research and Development	September 2022	June 2022	September 2021
	$38,000	$38,000	$4,000

Research and Development expenditures include research and development salaries, material and laboratory costs as well as subcontractor costs for the development of and installation of demonstration sites.

General and Administrative	September 2022	June 2022	September 2021
	$595,000	$472,000	$527,000

General and Administration expenditures include administrative salaries, consulting, office supplies, regulatory and transfer fees, travel and corporate affairs.

General and administrative expenses were higher in the third quarter due to a $173,000 valuation provision that was recorded against unbilled revenue in China.

Other Expense	September 2022	June 2022	September 2021
	$72,000	$89,000	$269,000

Other expense in the quarter was from $72,000 of foreign exchange loss on the monetary assets of Biorem Technologies Inc held in US dollars compared to $89,000 of foreign exchange losses in the second quarter of 2022, and $269,000 of foreign exchange losses in the third quarter of 2021. All the gains and losses were the result of fluctuations the exchange rate of the United States dollar to the Canadian dollar during the periods.

Liquidity

The Company finances its operations and capital expenditures through cash generated from operations and equity and debt financings.

2022 Cash flow

Cash and cash equivalents	September 2022	June 2022	September 2021
	$3,568,000	$4,298,000	$9,912,000

Cash on hand decreased by $730,000 to $3,568,000 at September 30, 2022 from $4,298,000 at June 30, 2022.

The sources and uses of cash for the quarters ended are summarized below:

	September 2022	June 2022	September 2021
Cash provided by (used in) operating activities	$(1,692,000)	$951,000	$(497,000)
Cash provided by (used in) investing activities	(44,000)	(82,000)	(23,000)
Cash provided by (used in) financing activities	(395,000)	145,000	(9,000)
Foreign exchange gain (loss) on cash	1,401,000	(300,000)	215,000
Net increase (decrease) in cash	(730,000)	$714,000	$(314,000)

Cash provided by operating activities – Earnings from operating activities during the quarter generated $1,131,000 of cash, and $2,823,000 of cash was used to fund increases in non-cash working capital. In particular, $1,969,000 was used to fund an increase in accounts receivable and $1,336,000 in prepaid project costs. These uses of cash were offset by $752,000 of cash generated from a reduction in unbilled revenue and a $$2,403,000 increase in accounts payable.

Cash used in investing activities – The Company used $4,000 of cash in the quarter to acquire equipment and software.

Cash generated by financing activities – The Company used $215,000 of cash to pay down its operating line of credit and $125,000 was used to make principal payments on the Company's term loan. A further $55,000 of cash was used in the quarter to pay lease obligations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business including proposals on major investments. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company's objectives of managing liquidity risk are to forecast the liquidity position as accurately as possible and to maintain sufficient resources to pursue its growth strategy. The Company's financial liabilities include accounts payable and accrued liabilities, unearned revenue and contract advances as well as long and short term debt.

The Company's net current assets (liabilities) are summarized below.

	September 2022	**June 2022**	**September 2021**
Cash and cash equivalents	3,568,000	4,298,000	$9,912,000
Working capital	4,232,000	2,873,000	10,690,000

(1) Working capital represents total current assets less total current liabilities.

A maturity analysis as at September 30, 2022 of the Company's financial liabilities based on gross, undiscounted cash flows is presented below. The maturity analysis is based on the earliest date that liabilities may be due.

	Carrying Amount	Contractual Cash Flow	Less than 1 month	1-3 months	3 months to 1 year	1+ years	Total
	$	$	$	$	$	$	$
September 2022							
Accounts payable	5,872,696	5,872,696	5,872,696	-	-	-	5,872,696
Accrued liabilities	2,527,678	2,527,678	2,527,678	-	-	-	2,527,678
Interest bearing loans	4,419,511	4,907,124	54,893	109,786	494,037	4,248,408	4,907,124
Lease liabilities	517,588	642,150	18,400	36,800	165,600	421,350	642,150
	13,337,473	13,949,648	8,473,667	146,586	659,637	4,669,758	13,949,648
December 2021							
Accounts payable	5,065,853	5,065,853	5,065,853	-	-	-	5,065,853
Accrued liabilities	2,512,982	2,512,982	2,102,882	410,000	-	-	2,512,882
Interest bearing loans	5,010,000	5,621,161	58,226	109,786	494,037	4,959,112	5,621,161
Lease liabilities	655,603	828,480	18,198	36,396	163,782	610,104	828,480
	13,244,438	14,028,476	7,245,159	556,182	657,819	5,569,216	14,028,376

Capital Resources

The Company currently does not have any undrawn debt facilities. The Company does not have any significant capital expenditure projects underway or forecasted in 2022.

Financial instruments

At September 30, 2022 the Company held no forward exchange contracts.

Commitments

Commitments include operating leases for office equipment and facilities, bank guarantees, and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Aside from the aforementioned, the Company does not have any other business arrangements or any equity interests in unconsolidated companies that would have a significant effect on its assets and liabilities as at September 30, 2022.

Off-Balance Sheet Arrangements

As a general practice, the Company does not enter into off-balance sheet financing arrangements. Except for operating leases and letters of credit, all commitments are reflected on the balance sheet.

Transactions with Related Parties

The Company did not have any material related party transactions during the three months ended September 30, 2022.

Outstanding Share Data

	September 30 2022	**June 30 2022**	**September 30 2021**
Common shares	15,497,437	15,477,437	38,911,558
Employee stock options (1)	3,065,000	3,935,000	3,105,000
	18,562,437	19,412,437	42,016,558

(1) Assumes 100% conversion of outstanding options

There have been no material changes to the Company's outstanding share data from September 30, 2022 to the date of this MD&A.

Significant Accounting Policies and Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related contingent assets and liabilities. On an on-going basis, management evaluates the estimates including those related to long-term revenue contracts, intangible assets, goodwill, bad debts, warranty obligations and income taxes. The estimates are based on historical experience and on various other factors that are believed to be reasonable in the circumstances.

Actual results may differ from these estimates. The following critical accounting policies include those which involve management's more significant judgments and estimates:

a) Revenue recognition: The Company derives revenue from long-term contracts which require performance over a time span which may extend beyond one or more accounting periods. The Company recognizes revenue on long-term contracts using the percentage-of-completion method, based on costs incurred relative to the estimated total contract costs. Management has concluded that costs incurred are the best available measure of progress toward completion of these contracts. Estimated total direct contract costs is subjective and requires the use of our best judgments based upon the information we have available at that point in time. Management's estimate of total direct contract costs has a direct impact on the revenue recognized by the Company. Changes in estimates are reflected in the period in which they are made and would affect revenue and cost of sales and unbilled or unearned revenue.
The Company also provides for estimated losses on incomplete contracts in the period in which such losses are determined.

b) Deferred income taxes: Deferred income tax assets are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying value of assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment. The income tax bases of assets and liabilities are based upon the interpretation of income tax legislation across various jurisdictions. The deferred income tax assets and liabilities are also impacted by expectations about future operating results and the timing for reversal of temporary differences as well as possible audits of tax filings by the regulatory authorities. In accessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income and tax planning strategies in making this assessment. The Company has recorded deferred tax assets as at September 30, 2022 of $ 1,567,000.

c) Investment tax credits: In the normal course of operations, the Company's Scientific Research & Experimental Development (SR&ED) expense claims are subject to review by federal and provincial government authorities.

d) Warranty obligations: Management routinely assesses and adjusts for its anticipated warranty costs based on experience and estimates of the potential warranty obligations for its installations.

e) Expected credit losses: Management routinely reviews accounts receivable and sets up a reserve for expected credit losses. This is an estimate since some of the reserved accounts may be collected and we may subsequently find that some accounts currently deemed collectible become uncollectible. As well, the estimated present value of future cash flows associated with the outstanding accounts receivable is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statement of operations for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The assumptions used for this estimate, which are based on the Company's historical collection history, are presented in Note 10 to the December 31, 2021 financial statements.

f) Long lived assets: Management reviews the carrying value of long lived assets including plant and equipment and amortizable intangible assets for impairment to determine if the carrying value of an asset may not be recoverable due to changes in the current and expected future use of the asset, external valuations of the asset, and the obsolescence or physical damage to the asset. If such indicators of impairment exist, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash generating unit exceeds its estimated recoverable amount.

g) Compound financial instruments: The financial liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, representing the holders' option to convert into common shares, is recognized initially at fair value determined as the excess of the face value of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is included within contributed surplus and is not re-measured subsequent to initial recognition.

h) Leases: On January 1, 2019 the Company adopted IFRS 16 Leases which requires assets and liabilities arising from all leases with some exceptions to be recognized on the statement of financial position. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
At inception of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. The Company recognizes a right-of-use asset.

i) There were no new accounting policies adopted during the period.

Outlook

The Company continues to be in a strong financial position and expects to build on this strength in the final quarter 2022 and into 2023.The Company's has a record order backlog of $43 million and bidding activity remains high as does the value of opportunities in the Company's sales pipeline. Biorem has been able to successfully manage and mitigate the impact of supply chain disruptions and inflation however ongoing global supply chain issues could impact project deliveries and financial results in the second half of the year. Barring unexpected supply chain disruptions reported revenues and earnings for fiscal 2022 are expected to equal or exceed the levels reported in 2021.

Risks and Uncertainties

COVID-19 & Supply Chain

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial results.

To date management believes the Company's business was only minimally impacted by the worldwide outbreak of the COVID-19 virus, mainly through construction delays on some projects and cost increases for some materials and freight. While worldwide, as a result of the implementation of public health measures and vaccination programs it appears the pandemic is abating the ongoing duration and impact of the outbreak on supply chains is impacting Biorem's costs of materials and shipping. The impact, while manageable, will likely have a negative effect on the Company's gross margins and profitability. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Liquidity risk

At September 30, 2022 the Company had working capital of $4,232,000 and a $3 million operating line of credit from a Canadian chartered bank of which $2,290,000 was unused on September 30, 2022. Management believes the Company has sufficient working capital to meet all of its operational needs.

Sales Cycle

The Company's long sales cycle may cause revenue fluctuations period over period – since operating expenses are largely based on anticipated revenue trends and a significant portion of expenses are, and will continue to be, fixed, any delay in generating or recognizing revenues could negatively impact our business, operating results, financial condition or prospects.

Order Backlog

As of September 30, 2022 the Company's Order Backlog was $43 million. However, the expected future revenue from the Company's Order Backlog may not be realized or, if realized, may not result in net earnings. Projects could remain in Order Backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts reflected in the Company's Order Backlog. Cancellation or delay of contracts may have a material adverse effect on our financial status.

Delays or Defaults in customer payments affecting liquidity

Due to the nature of our contracts, at times we commit resources to projects prior to receiving payments from our customers in amounts sufficient to cover expenditures as they are incurred. Delays in customer payments may require us to make a working capital investment. If a customer defaults in making payments on a project to which we have devoted significant resources, it could have a material negative effect on our liquidity as well as the results from operations.

Reputation

The Company's reputation for technical expertise, high level of service and the lower life cycle cost of products compared to our competitors products is one of our most valuable business development assets. The loss of this reputation due to client dissatisfaction represents a risk to our ability to win additional business both from existing clients and from future clients.

Patents and Proprietary Right

The Company relies on a combination of patents, trademarks, trade secrets and knowledge to protect its proprietary technology and rights. There can be no assurance that the Company's patents will not be infringed upon, that the Company would have adequate remedies for any such infringement, or that its trade secrets will not otherwise become known or independently developed by its competitors. There can also be no assurance that any patents now or hereafter issued to, licensed by or applied for by the Company will be upheld, if challenged, or that the protections afforded thereby will not be circumvented by others.

Dependence on Subcontractors

The Company does not directly engage in field construction but relies on field construction subcontractors operating under the supervision of the Company's employees. The unavailability of field construction subcontractors, or a substantial increase in pricing by a significant number of these subcontractors could adversely affect the Company. In addition, failure of subcontractors to properly perform work that has been subcontracted to them could adversely affect the Company by increasing the costs to the Company of completing a project and by damaging the Company's reputation.

Product Liability

If there are defects in our systems or if significant reliability, quality or performance problems develop with respect to our systems, there may be a number of negative effects on our business. Our products are often installed in corrosive or flammable environments. The Company carries product liability insurance, which includes coverage for sudden or accidental pollution impact. It is possible that a customers' inability to comply with applicable pollution control laws or regulations stemming from failure or non-performance of the Company's products or systems may subject the Company to liability for any fines imposed upon such customer by regulatory authority or for damages asserted to have been incurred by any third party adversely affected.

Competition

Virtually all contracts for the Company's products are obtained through competitive bidding. Although the Company competes on technical expertise, reputation for service and lower life cycle cost, there can be no assurance that the Company will maintain its competitive position in its principal markets.

Fixed Price Contracts may result in losses

The Company's receipt of a fixed price contract as a consequence of being the successful bidder carries the inherent risk that the Company's actual performance cost may exceed the estimates upon which its bid was based. To the extent that contract performance costs exceed projected costs, the Company's profitability could be materially affected.

Foreign Exchange

The Company is subject to risk of exchange rate fluctuations related to anticipated revenues, Order Backlog and existing assets and liabilities denominated in currencies other than Canadian dollars. At September 30, 2022, the Company had US dollar denominated net monetary assets of $312,864.

Stock Trading Volume is low

The monthly average trading volume of the BIOREM common shares on the Toronto Venture Exchange for the first nine months of 2022 was 144,000 shares. Due to the low trading volume the price of the common shares could be subject to wide price fluctuations in response to business development announcements, competitors, quarterly variations in operating results, and other events or factors.

Risk to Product Development

Corporate resources are currently being expended on the development of the new media technologies. These technologies are constantly in development and have not yet been fully commercialized. There can be no guarantee that the new media technology will achieve the performance criteria which the Company believes is necessary for it to be a successful product in the market. In addition, there are risks associated with commercializing any product including the risk that full scale production may not be achieved at an acceptable cost level. Failure to successfully commercialize the new media technologies may materially and adversely affect the Company's financial condition and results of operations.

Acceptance of new products by the Market

Market risk exists for new products such as the new media. There is no assurance that new products will be accepted by the market, that desired volumes will be realized over the product life or that the product life will not be shorter than expected due to product obsolescence. New products that are launched by the Company's competitors may also have price or other advantages over the Company's products. In addition, new product offerings may also require more significant marketing and sales efforts to gain market acceptance.

Dependency on key personnel

The success of the Company is dependent upon the attraction and retention of highly skilled personnel in a number of key areas including management positions. The unexpected loss or departure of any of the Company's key officers or employees could have a material adverse effect on the future operations of the Company. The success of the Company's business will depend, in part, upon the Company's ability to attract and retain qualified personnel as they are needed. There can be no assurance that the Company will be able to engage the services of such personnel or retain its current personnel.