

Condensed consolidated interim financial statements of

Biorem Inc.

Periods ended September 30, 2023 and 2022

(Unaudited)

Biorem Inc.

September 30, 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 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 September 30, 2023 and December 31, 2022

(In Canadian dollars, unaudited)	Notes	September 30, 2023	December 31, 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		2,383,122	3,775,018
Accounts receivable		5,134,211	8,357,136
Unbilled revenue		3,609,874	3,883,744
Inventories		1,301,655	888,045
Prepaid expenses and deposits		1,714,032	870,618
		14,142,894	17,774,561
Non-current assets			
Equipment and leasehold improvements		1,488,408	1,016,297
Deferred tax assets		1,992,246	1,939,202
Total assets		17,623,548	20,730,060
Liabilities			
Current liabilities			
Accounts payable	9	3,371,101	4,710,820
Accrued liabilities		2,144,727	2,663,647
Lease liabilities		211,211	157,476
Income taxes payable		229,580	893,426
Provisions	8	548,390	621,988
Unearned revenue		3,306,077	2,573,470
Interest bearing loans	7	541,960	1,300,998
		10,353,046	12,921,825
Non-current liabilities			
Interest bearing loans	7	2,567,979	2,975,243
Lease liabilities		210,347	312,439
		2,778,326	3,287,682
Shareholders' equity			
Common shares		4,997,423	4,909,423
Contributed surplus		2,333,071	2,260,271
Accumulated other comprehensive loss		1,404,783	1,446,837
Deficit		(4,243,101)	(4,095,978)
Total shareholders' equity		4,492,176	4,520,553
Total liabilities and shareholders' equity		17,623,548	20,730,060

See accompanying notes to consolidated financial statements.

Biorem Inc.

Condensed consolidated interim statements of operations Three and nine months ended September 30, 2023 and 2022

(In Canadian dollars, unaudited)	Notes	Three months ended		Nine months ended	
		2023	2022	2023	2022
		\$	\$	\$	\$
Revenue		5,509,308	7,307,356	12,958,643	17,952,145
Cost of goods sold		3,965,018	4,789,831	10,343,796	13,099,245
Gross profit		1,544,290	2,517,525	2,614,847	4,852,900
Expenses (income)					
Sales and marketing		531,504	709,217	1,611,322	1,846,147
Research and development		4,845	37,882	9,465	85,258
General and administration		258,045	594,653	935,966	1,432,699
Other expense (income)	5	11,552	71,802	73,279	161,883
Total operating expenses		805,946	1,413,554	2,630,032	3,525,987
Earnings from operations		738,344	1,103,971	(15,185)	1,326,913
Finance costs		53,864	68,353	184,983	204,193
Net earnings (loss) before tax		684,480	1,035,618	(200,168)	1,122,720
Income tax expense		181,387	274,439	(53,045)	297,521
Net earnings (loss)		503,093	761,179	(147,123)	825,199
Earnings per share, basic	10	\$ 0.030	\$ 0.050	\$ (0.010)	\$ 0.050
Earning per share, diluted	10	\$ 0.030	\$ 0.040	\$ (0.010)	\$ 0.040

Biorem Inc.

Condensed consolidated interim statements of comprehensive income (loss) Three and nine months ended September 30, 2023 and 2022

(In Canadian dollars, unaudited)	Three months ended		Nine months ended	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net earnings (loss)	503,093	761,179	(147,123)	825,199
Other comprehensive income				
Item which may be reclassified into profit and loss:				
Foreign currency translation loss on foreign operations	175,986	430,356	42,054	633,839
Total comprehensive income (loss) for the period	679,079	1,191,535	(105,069)	1,459,038

Biorem Inc.

Condensed Consolidated interim statements of shareholders' equity

Nine months ended September 30, 2023 and 2022

(In Canadian dollars, unaudited)	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, as at January 1, 2022	4,906,353	2,169,648	597,343	(5,709,035)	1,964,309
Earnings for the period	-	-	-	825,199	825,199
Foreign currency translation differences on foreign operations	-	-	633,839	-	633,839
Total comprehensive earnings for the period	-	-	633,839	825,199	1,459,038
Stock options exercised	2,820	(820)	-	-	2,000
Stock-based compensation	-	33,768	-	-	33,768
	2,820	33,768	-	-	35,768
Balance, as at September, 2022	4,909,173	2,203,416	1,231,182	(4,883,836)	3,459,115
Balance, as at January 1, 2023	4,909,423	2,260,271	1,446,837	(4,095,978)	4,520,553
Earnings for the period	-	-	-	(147,123)	(147,123)
Foreign currency translation differences on foreign operations	-	-	(42,054)	-	(42,054)
Total comprehensive earnings for the period	-	-	(42,054)	(147,123)	(189,177)
Stock options exercised	88,000	(19,000)	-	-	88,000
Stock-based compensation	-	91,800	-	-	91,800
	88,000	72,800	-	-	179,800
Balance, as at September 30, 2023	4,997,423	2,333,071	1,404,783	(4,243,101)	4,511,176

Biorem Inc.

Condensed consolidated interim statements of cash flows

Nine months ended September 30, 2023 and 2022

(In Canadian dollars, unaudited)	Notes	2023	2022
		\$	\$
Operating activities			
Net earnings (loss)		(147,123)	825,199
Items not involving cash:			
Deferred tax expense (recovery)		(53,045)	231,232
Depreciation		185,850	288,089
Accretion lease interest		22,364	27,665
Stock option compensation		91,800	33,768
		99,846	1,405,953
Change in non-cash operating working capital			
Accounts receivable		3,032,239	(966,348)
Unbilled revenue		391,472	187,487
Inventories		(413,613)	(750,328)
Prepaid expenses and deposits		(862,351)	(1,070,814)
Accounts payable		(1,294,672)	544,278
Accrued liabilities		(477,753)	(168,195)
Income taxes payable		(645,528)	(336,416)
Provisions		(122,259)	90,528
Unearned revenue		744,224	(198,388)
Cash provided by (used in) operations		451,605	(1,262,243)
Investing activities			
Purchase of equipment, leasehold improvements		(673,541)	(143,013)
		(673,541)	(143,013)
Financing activities			
Repayments of operating loan		(775,001)	(220,000)
Term loan repayments		(391,250)	(370,489)
Payment of lease liabilities		(134,427)	(164,789)
Proceeds from issuance of common shares on exercise of stock options		69,000	2,000
		(1,231,678)	(753,278)
Foreign exchange gain(loss) on foreign denominated cash and cash equivalents		61,718	1,254,870
Increase(decrease) in cash and cash equivalents		(1,391,896)	(903,664)
Cash and cash equivalents, beginning of year		3,775,018	4,471,304
Cash and cash equivalents, end of period		2,383,122	3,567,640

Biorem Inc.

Notes to the condensed consolidated interim financial statements

September 30, 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 November 29, 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., 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 September 30, 2023 and 2022 (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 2023	Sept 2022	Sept 2023	Sept 2022
	\$	\$	\$	\$
Canada	3,141,128	870,750	5,756,003	5,061,429
United States	2,309,346	5,405,931	6,503,929	11,121,203
China	-	993,663	149,972	1,393,853
Other	58,834	37,011	548,740	375,660
Total	5,509,308	7,307,355	12,958,644	17,952,145

Capital assets (1)	Period ending	
	Sept 2023	Sept 2022
	\$	\$
Canada	603,827	557,827
United States	884,581	444,739
China	-	42,389
Total	1,488,408	1,044,955

(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		Nine months ended	
	Sept 2023	Sept 2022	Sept 2023	Sept 2022
			\$	\$
Foreign exchange gain(loss)	11,552	71,802	73,279	161,883
Total	11,552	71,802	73,279	161,883

Biorem Inc.

Notes to the condensed consolidated interim financial statements September 30, 2023 and 2022 (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

Current	Interest rate	Maturity	September 30 2023	December 31 2022
	%		\$	\$
Working capital loan	Prime + .075	On demand	-	775,001
Current portion term loan	4.07	2023	541,960	525,997
			<u>541,960</u>	<u>1,300,998</u>
Non-current				
Term loan	4.07	12/01/28	3,109,939	3,501,189
Current portion	4.07	2023	(541,960)	(525,997)
			<u>2,567,979</u>	<u>2,975,192</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	2023	2022
	\$	\$
At December 31	621,988	490,225
Provisions used during the period	(213,648)	(25,327)
Provisions made during the period	140,050	96,742
At September 30	<u>\$ 548,390</u>	<u>\$ 561,641</u>

Biorem Inc.

Notes to the condensed consolidated interim financial statements September 30, 2023 and 2022 (Unaudited)

9. Financial Instruments

Fair value of financial instruments

	September 30, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	2,383,122	2,383,122	3,775,018	3,775,018
Accounts receivable	5,134,211	5,134,211	8,557,136	8,557,136
	<u>7,517,333</u>	<u>7,517,333</u>	<u>12,332,154</u>	<u>12,332,154</u>
Financial liabilities				
Accounts payable and accrued liabilit	5,515,828	5,515,828	7,435,599	7,435,599
Interest bearing loans	3,109,939	3,109,939	4,276,241	4,276,241
Lease liabilities	421,558	421,558	469,915	469,915
	<u>9,047,325</u>	<u>9,047,325</u>	<u>12,181,755</u>	<u>12,181,755</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	
	Sept 2023	Sept 2022	Sept 2023	Sept 2022
	\$	\$	\$	\$
Net earnings(loss)	503,093	761,179	(147,123)	825,119
Common shares outstanding	15,697,437	15,497,437	15,697,437	15,497,437
Dilutive Options	<u>1,802,472</u>	<u>1,392,644</u>	<u>1,802,472</u>	<u>1,392,644</u>
Total	<u>17,499,909</u>	<u>16,890,081</u>	<u>17,499,909</u>	<u>16,890,081</u>