

Condensed Consolidated Interim Financial Statements of

**Biorem Inc.**

Periods ended March 31, 2024 and 2023

(Unaudited)

# Biorem Inc.

March 31, 2024 and 2023

(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, 2024 and December 31, 2023

(In Canadian dollars, unaudited)	Notes	March 31, 2024	December 31, 2023
		\$	\$
<b>Assets</b>			
Current assets			
Cash		5,902,205	2,291,799
Accounts receivable, net of ECL		6,575,798	12,042,368
Unbilled revenue		2,628,216	3,037,440
Inventories		1,204,903	901,139
Prepaid expenses and deposits		2,079,876	2,331,651
		18,390,998	20,604,397
Non-current assets			
Equipment, leasehold improvements and right of use assets		2,286,737	1,991,074
Deferred tax assets		1,383,359	1,480,541
<b>Total assets</b>		<b>22,061,094</b>	<b>24,076,012</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	9	3,950,492	6,136,127
Accrued liabilities		1,505,968	2,132,986
Lease liabilities		180,845	175,685
Income taxes payable		171,006	169,806
Provisions	8	433,510	425,758
Unearned revenue		4,588,689	4,306,371
Interest bearing loans	7	553,312	547,478
		11,383,822	13,894,211
Non-current liabilities			
Interest bearing loans	7	2,287,829	2,428,659
Lease liabilities		1,018,451	1,033,357
		3,306,280	3,462,016
<b>Shareholders' equity</b>			
Common shares		4,997,423	4,997,423
Contributed surplus		2,402,146	2,368,921
Accumulated other comprehensive income		1,543,916	1,270,033
Deficit		(1,572,493)	(1,916,592)
<b>Total shareholders' equity</b>		<b>7,370,992</b>	<b>6,719,785</b>
<b>Total liabilities and shareholders' equity</b>		<b>22,061,094</b>	<b>24,076,012</b>

# Biorem Inc.

## Consolidated statements of operations Three months ended March 31, 2024 and 2023

(In Canadian dollars, unaudited)	Notes	2024	2023
		\$	\$
Revenue		5,917,904	3,169,284
Cost of goods sold		4,138,108	3,052,294
<b>Gross profit</b>		<b>1,779,796</b>	<b>116,990</b>
Expenses			
Sales and marketing		691,579	522,638
Research and development		15,265	1,012
General and administration		512,072	399,485
Other expense	<b>5</b>	44,932	(117,211)
<b>Total operating expenses</b>		<b>1,263,848</b>	<b>805,924</b>
Earnings (loss) from operations		515,948	(688,934)
Finance costs	<b>7</b>	50,949	64,433
Earnings (loss) before tax		464,999	(753,367)
Income tax (recovery)		120,900	(195,875)
<b>Net earnings (loss)</b>		<b>344,099</b>	<b>(557,492)</b>
Earnings (loss) per share, basic		\$ 0.022	(0.036)
Earnings (loss) per share, diluted		\$ 0.019	(0.036)

See accompanying notes to consolidated financial statements.

# Biorem Inc.

## Condensed consolidated interim statement of comprehensive income (loss) Three months ended March 31, 2024 and 2023

(In Canadian dollars, unaudited)	2024	2023
	\$	\$
Net income (loss)	344,099	(557,492)
Other comprehensive income (loss)		
Item that will not be reclassified into profit and loss		
Foreign currency translation differences on foreign operations	273,883	44,825
Total comprehensive income for the period	617,982	(512,667)

# Biorem Inc.

## Consolidated statements of changes in shareholders' equity

Three months ended March 31, 2024 and 2023

In Canadian dollars	Notes	Common shares	Contributed surplus	Accumulated other comprehensive income(loss)	Deficit	Total
		\$	\$	\$	\$	\$
<b>Balance, as at January 1, 2023</b>		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
<b>Total comprehensive earnings (loss) for the period</b>		-	-	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
<b>Balance, as at March 31, 2023</b>		4,997,423	2,271,871	1,491,662	(4,653,470)	4,107,486
<b>Balance, as at January 1, 2024</b>		4,997,423	2,368,921	1,270,033	(1,916,592)	6,719,785
Earnings(loss) for the period		-	-	-	344,099	344,099
Foreign currency translation differences on foreign operations		-	-	273,883	-	273,883
<b>Total comprehensive earnings (loss) for the period</b>		-	-	273,883	344,099	617,982
Stock-based compensation		-	33,225	-	-	33,225
<b>Balance, as at March 31, 2024</b>		4,997,423	2,402,146	1,543,916	(1,572,493)	7,370,992

See accompanying notes to condensed consolidated interim financial statements

# Biorem Inc.

## Condensed consolidated interim statements of cash flows Three months ended March 31, 2024 and 2023

(In Canadian dollars, unaudited)	Notes	2024	2023
		\$	\$
<b>Operating activities</b>			
Net earnings(loss)		344,099	(497,140)
Items not involving cash:			
Deferred tax expense (recovery)		120,900	(195,875)
Depreciation		73,674	82,063
Stock based compensation		33,225	30,600
Accretion lease interest		20,593	11,587
		<u>592,491</u>	<u>(568,765)</u>
<b>Change in non-cash operating working capital</b>			
Accounts receivable		5,602,372	4,216,839
Unbilled revenue		749,765	(475,622)
Inventories		(253,111)	(67,582)
Prepaid expenses and deposits		207,258	(220,875)
Accounts payable		(2,346,369)	(1,501,051)
Accrued liabilities		(563,688)	(915,215)
Income taxes payable		1,208	163
Provisions		798	(158,526)
Unearned revenue		187,311	687,188
<b>Cash provided by (used in) operating activities</b>		<u>4,178,035</u>	<u>996,554</u>
<b>Investing activities</b>			
Purchase of equipment, leasehold improvements		(363,109)	(68,334)
<b>Cash provided by (used in) investing activities</b>		<u>(363,109)</u>	<u>(68,334)</u>
<b>Financing activities</b>			
(Repayment to) proceeds from operating loan	7	-	180,000
Proceeds from issuance of common shares on exercise of stock options		-	69,000
Payment of lease liabilities		(62,995)	(42,272)
Repayment to term loan	7	(164,685)	(129,951)
<b>Cash provided by (used in) financing activities</b>		<u>(227,680)</u>	<u>76,777</u>
Foreign exchange gain(loss) on foreign denominated cash and cash equivalents		23,160	(83,974)
<b>Increase(decrease) in cash and cash equivalents</b>		3,610,406	921,023
Cash and cash equivalents, beginning of period		2,291,799	3,775,018
<b>Cash and cash equivalents, end of period</b>		<u>5,902,205</u>	<u>4,696,041</u>

# Biorem Inc.

## Notes to the consolidated interim financial statements

March 31, 2024 and 2023

(unaudited)

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### 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 2023 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 28, 2024.

#### 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, 2024 and 2023

(unaudited)

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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 2023 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 2024	March 2023	March 2024	March 2023
	\$	\$	\$	\$
Canada	2,652,633	745,557	565,136	574,498
United States	3,245,959	2,256,277	1,721,601	430,262
China	-	15,937	-	-
Other	19,312	151,513	-	-
<b>Total</b>	<b>5,917,904</b>	<b>3,169,284</b>	<b>2,286,737</b>	<b>1,004,760</b>

### 5. Other expense

The composition of other expense is as follows:

	Three months ended	
	March 2024	March 2023
	\$	\$
Foreign exchange loss (gain)	44,932	117,211
<b>Total</b>	<b>44,932</b>	<b>117,211</b>

### 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, 2024 and 2023 (unaudited)

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### 7. Interest-bearing loans

			March 31	December 31
<b>Current</b>	Interest rate	Maturity	2024	2023
	%		\$	\$
Working capital loan	Prime +.075	On demand	-	-
Current portion term loan	4.07	2024	-	547,478
			-	547,478
<hr/>				
<b>Non-current</b>				
Term loan	4.07	12/01/28		2,976,137
Current portion	4.07	2022		(547,478)
			-	2,428,659

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 15<sup>th</sup> of each month.

### 8. Provisions

#### *Warranty*

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At December 31, 2023	\$ 425,757
Provisions used during the period	-
Provisions made during the <b>period</b>	7,753
At March 31, 2024	\$ 433,510

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# Biorem Inc.

## Notes to the consolidated interim financial statements March 31, 2024 and 2023 (unaudited)

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### 9. Financial Instruments

#### *Categories and fair value of financial instruments*

	March 31, 2024		December 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	5,902,205	5,902,205	2,291,799	2,291,799
Accounts receivable	6,575,798	6,575,798	12,042,368	12,042,368
	<u>12,478,003</u>	<u>12,478,003</u>	<u>14,334,167</u>	<u>14,334,167</u>
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	3,950,492	3,950,492	8,269,113	8,269,113
Interest bearing loans	2,841,141	2,378,257	2,976,137	2,478,222
Lease liabilities	1,199,296	1,199,296	1,209,042	1,209,042
	<u>7,990,929</u>	<u>7,528,045</u>	<u>12,454,292</u>	<u>11,956,377</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 8.08% at the end of the reporting period. The non-performance risk as at March 31, 2024 and December 31, 2023 was assessed to be insignificant.