

Condensed consolidated interim financial statements of

**Biorem Inc.**

Periods ended June 30, 2024 and 2023

(Unaudited)

# Biorem Inc.

June 30, 2024 and 2023

(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, 2024 and December 31, 2023

(In Canadian dollars, unaudited)	Notes	June 30, 2024	December 31, 2023
		\$	\$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		3,904,210	2,291,799
Accounts receivable		10,054,155	12,042,368
Unbilled revenue		2,488,463	3,037,440
Inventories		2,012,349	901,139
Prepaid expenses and deposits		2,474,843	2,331,651
		20,934,020	20,604,397
Non-current assets			
Equipment and leasehold improvements		2,190,928	1,991,074
Deferred tax assets		1,264,676	1,480,541
<b>Total assets</b>		<b>24,389,624</b>	<b>24,076,012</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	9	4,448,472	6,136,127
Accrued liabilities		1,363,590	2,132,986
Lease liabilities		161,983	175,685
Income taxes payable		207,885	169,806
Provisions	8	450,997	425,758
Unearned revenue		6,152,059	4,306,371
Interest bearing loans	7	559,008	547,478
		13,343,994	13,894,211
Non-current liabilities			
Interest bearing loans	7	2,147,054	2,428,659
Lease liabilities		1,000,153	1,033,357
		3,147,207	3,462,016
<b>Shareholders' equity</b>			
Common shares		4,997,423	4,997,423
Contributed surplus		2,435,371	2,368,921
Accumulated other comprehensive loss		1,701,270	1,270,033
Deficit		(1,235,641)	(1,916,592)
<b>Total shareholders' equity</b>		<b>7,898,423</b>	<b>6,719,785</b>
<b>Total liabilities and shareholders' equity</b>		<b>24,389,624</b>	<b>24,076,012</b>

See accompanying notes to consolidated financial statements.

# Biorem Inc.

## Condensed consolidated interim statements of operations Three and six months ended June 30, 2024 and 2023

(In Canadian dollars, unaudited)	Notes	Three months ended		Six months ended	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenue		7,300,499	4,280,051	13,218,403	7,449,335
Cost of goods sold		5,643,289	3,326,484	9,781,398	6,378,778
Gross profit		1,657,210	953,567	3,437,005	1,070,557
Expenses (income)					
Sales and marketing		744,864	557,181	1,436,444	1,079,819
Research and development		13,512	3,609	28,777	4,621
General and administration		385,765	278,436	898,713	677,921
Other expense (income)	<b>5</b>	607	178,938	45,540	61,727
Total operating expenses		1,144,748	1,018,164	2,409,474	1,824,088
Earnings from operations		512,462	(64,597)	1,027,531	(753,531)
Finance costs		50,117	66,686	101,067	131,119
Net earnings (loss) before tax		462,345	(131,283)	926,464	(884,650)
Income tax expense		122,521	(34,790)	245,513	(234,432)
Net earnings (loss)		339,824	(96,493)	680,951	(650,218)
Earnings per share, basic	<b>10</b>	\$ 0.021	\$ (0.006)	\$ 0.043	\$ (0.042)
Earning per share, diluted	<b>10</b>	\$ 0.018	\$ (0.006)	\$ 0.037	\$ (0.042)

# Biorem Inc.

## Condensed consolidated interim statements of comprehensive income (loss)

Three and six months ended June 30, 2024 and 2023

(In Canadian dollars, unaudited)	Three months ended		Six months ended	
	2024	2023	2024	2023
Net earnings (loss)	\$ 339,824	\$ (96,493)	\$ 680,951	\$ (650,218)
Other comprehensive income				
Item which may be reclassified into profit and loss:				
Foreign currency translation loss on foreign operations	157,354	(178,757)	431,237	(133,932)
Total comprehensive income (loss) for the period	497,178	(275,250)	1,112,188	(784,150)

# Biorem Inc.

## Condensed Consolidated interim statements of shareholders' equity

Six months ended June 30, 2024 and 2023

(In Canadian dollars, unaudited)	Share capital	Contributed surplus	Accumulated other comprehensive income	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 for the period	-	-	-	(650,218)	(650,218)
Foreign currency translation differences on foreign operations	-	-	(133,932)	-	(133,932)
<b>Total comprehensive earnings for the period</b>	-	-	(133,932)	(650,218)	(784,150)
Stock options exercised	88,000	(19,000)	-	-	88,000
Stock-based compensation	-	61,200	-	-	61,200
	88,000	42,200	-	-	149,200
<b>Balance, as at June, 2023</b>	4,997,423	2,302,471	1,312,905	(4,746,196)	3,885,603
<b>Balance, as at January 1, 2024</b>	4,997,423	2,368,921	1,270,033	(1,916,592)	6,719,785
Earnings for the period	-	-	-	680,951	680,951
Foreign currency translation differences on foreign operations	-	-	431,237	-	431,237
<b>Total comprehensive earnings for the period</b>	-	-	431,237	680,951	1,112,188
Stock-based compensation	-	66,450	-	-	66,450
	-	66,450	-	-	66,450
<b>Balance, as at June, 2024</b>	4,997,423	2,435,371	1,701,270	(1,235,641)	7,898,423

# Biorem Inc.

## Condensed consolidated interim statements of cash flows

Six months ended June 30, 2024 and 2023

(In Canadian dollars, unaudited)	Notes	2024	2023
		\$	\$
<b>Operating activities</b>			
Net earnings (loss)		683,923	(650,218)
Items not involving cash:			
Deferred tax expense (recovery)		243,421	(234,432)
Depreciation		148,503	137,071
Accretion lease interest		41,613	13,144
Stock option compensation		66,450	61,200
		1,183,910	(673,235)
<b>Change in non-cash operating working capital</b>			
Accounts receivable		2,105,512	2,385,935
Unbilled revenue		900,645	300,133
Inventories		(1,034,489)	(197,489)
Prepaid expenses and deposits		(164,240)	(650,879)
Accounts payable		(1,850,982)	(1,876,348)
Accrued liabilities		(580,975)	(616,778)
Income taxes payable		32,677	(645,789)
Provisions		14,024	(146,406)
Unearned revenue		1,674,283	8,020
<b>Cash provided by (used in) operations</b>		2,280,365	(2,112,836)
<b>Investing activities</b>			
Purchase of equipment, leasehold improvements		(366,811)	(432,607)
		(366,811)	(432,607)
<b>Financing activities</b>			
Proceeds (repayments) of operating loan		-	364,999
Term loan repayments		(270,951)	(260,510)
Payment of lease liabilities		(126,762)	(77,147)
Proceeds from issuance of common shares on exercise of stock options			69,000
		(397,713)	96,342
Foreign exchange gain(loss) on foreign denominated cash and cash equivalents		96,570	259,550
<b>Increase(decrease) in cash and cash equivalents</b>		1,612,411	(2,189,551)
Cash and cash equivalents, beginning of year		2,291,799	3,775,018
<b>Cash and cash equivalents, end of period</b>		3,904,210	1,585,467

# Biorem Inc.

## Notes to the condensed consolidated interim financial statements

June 30, 2024 and 2023

(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 August 26, 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., 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, 2024 and 2023

(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 2024	June 2023	June 2024	June 2023
	\$	\$	\$	\$
Canada	1,876,708	1,869,318	4,529,342	2,614,875
United States	5,421,144	1,938,305	8,667,103	4,194,582
China	-	32,473	-	149,972
Other	2,647	439,955	21,958	489,906
Total	7,300,499	4,280,051	13,218,403	7,449,335

Capital assets (1)	Period ending	
	June 2024	June 2023
	\$	\$
Canada	509,364	604,477
United States	1,681,564	633,295
Total	2,190,928	1,237,772

(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 2024	June 2023	June 2024	June 2023
	\$	\$	\$	\$
Foreign exchange gain( loss)	(607)	(178,938)	(45,540)	(61,727)
Total	(607)	(178,938)	(45,540)	(61,727)

# Biorem Inc.

## Notes to the condensed consolidated interim financial statements

June 30, 2024 and 2023

(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

<b>Current</b>	Interest rate	Maturity	June 30 2024	December 31 2023
	%		\$	\$
Working capital loan	Prime +.075	On demand	-	-
Current portion term loan	4.07	2024	559,008	547,478
			559,008	547,478
<b>Non-current</b>				
Term loan	4.07	12/01/28	2,704,241	2,976,137
Current portion	4.07	2024	(559,008)	(547,478)
			2,145,233	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	2024	
2023		
	\$	\$
At December 31	425,757	621,988
Provisions used during the period	-	(208,901)
Provisions made during the period	25,240	12,670
At June 30	\$ 450,997	\$ 425,757

# Biorem Inc.

## Notes to the condensed consolidated interim financial statements June 30, 2024 and 2023 (Unaudited)

### 9. Financial Instruments

#### *Fair value of financial instruments*

	June 30, 2024		December 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,904,210	3,904,210	2,291,799	2,291,799
Accounts receivable	10,054,155	10,054,155	12,042,368	12,042,368
	<u>13,958,365</u>	<u>13,958,365</u>	<u>14,334,167</u>	<u>14,334,167</u>
Financial liabilities				
Accounts payable and accrued liabilities	5,812,062	5,812,062	8,269,113	8,269,113
Interest bearing loans	2,706,062	2,312,274	2,976,137	2,478,222
Lease liabilities	1,162,136	1,162,136	1,209,042	1,209,042
	<u>9,680,260</u>	<u>9,286,472</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 8.57% on June 30, 2024 and 8.82% on December 31, 2023. The non-performance risk as at June 30, 2024 and December 31, 2023 was assessed to be insignificant.

### 10. Earnings per share

	Three months ended		Six months ended	
	June 2024	June 2023	June 2024	June 2023
	\$	\$	\$	\$
Net earnings(loss)	339,824	(96,493)	680,951	(650,218)
Common shares outstanding	15,697,437	15,697,437	15,697,437	15,697,437
Dilutive Options	2,827,033	-	2,827,033	-
Total	<u>18,524,470</u>	<u>15,697,437</u>	<u>18,524,470</u>	<u>15,697,437</u>