

Condensed consolidated interim financial statements of

Biorem Inc.

Periods ended September 30, 2024 and 2023

(Unaudited)

Biorem Inc.

September 30, 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 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, 2024 and December 31, 2023

(In Canadian dollars, unaudited)	Notes	September 30, 2024	December 31, 2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		7,274,633	2,291,799
Accounts receivable		7,702,868	12,042,368
Unbilled revenue		2,157,241	3,037,440
Inventories		2,955,278	901,139
Prepaid expenses and deposits		1,771,204	2,331,651
		21,861,224	20,604,397
Non-current assets			
Equipment and leasehold improvements		2,053,524	1,991,074
Deferred tax assets		462,487	1,480,541
Total assets		24,377,235	24,076,012
Liabilities			
Current liabilities			
Accounts payable	9	4,631,165	6,136,127
Accrued liabilities		1,909,541	2,132,986
Lease liabilities		161,983	175,685
Income taxes payable		192,930	169,806
Provisions	8	498,870	425,758
Unearned revenue		3,459,548	4,306,371
Interest bearing loans	7	565,970	547,478
		11,420,007	13,894,211
Non-current liabilities			
Interest bearing loans	7	2,002,061	2,428,659
Lease liabilities		1,000,153	1,033,357
		3,002,214	3,462,016
Shareholders' equity			
Common shares		5,008,424	4,997,423
Contributed surplus		2,457,196	2,368,921
Accumulated other comprehensive loss		1,532,989	1,270,033
Deficit		956,405	(1,916,592)
Total shareholders' equity		9,955,014	6,719,785
Total liabilities and shareholders' equity		24,377,235	24,076,012

See accompanying notes to consolidated financial statements.

Biorem Inc.

Condensed consolidated interim statements of operations Three and nine months ended September 30, 2024 and 2023

(In Canadian dollars, unaudited)	Notes	Three months ended		Nine months ended	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenue		14,885,540	5,509,308	28,103,943	12,958,643
Cost of goods sold		9,864,074	3,965,018	19,645,471	10,343,796
Gross profit		5,021,466	1,544,290	8,458,472	2,614,847
Expenses (income)					
Sales and marketing		1,157,399	531,504	2,593,842	1,611,322
Research and development		7,944	4,845	36,721	9,465
General and administration		830,456	258,045	1,729,168	935,966
Other expense (income)	5	(4,185)	11,552	41,355	73,279
Total operating expenses		1,991,614	805,946	4,401,086	2,630,032
Earnings from operations		3,029,852	738,344	4,057,386	(15,185)
Finance costs		47,429	53,864	148,546	184,983
Net earnings (loss) before tax		2,982,423	684,480	3,908,840	(200,168)
Income tax expense		790,342	181,387	1,035,843	(53,045)
Net earnings (loss)		2,192,081	503,093	2,872,997	(147,123)
Earnings per share, basic	10	\$ 0.139	\$ 0.030	\$ 0.183	\$ (0.010)
Earning per share, diluted	10	\$ 0.118	\$ 0.030	\$ 0.155	\$ (0.010)

Biorem Inc.

Condensed consolidated interim statements of comprehensive income (loss)

Three and nine months ended September 30, 2024 and 2023

(In Canadian dollars, unaudited)	Three months ended		Nine months ended	
	2024	2023	2024	2023
	\$	\$	\$	\$
Net earnings (loss)	2,192,081	503,093	2,872,997	(147,123)
Other comprehensive income				
Item which may be reclassified into profit and loss:				
Foreign currency translation loss on foreign operations	(168,281)	175,986	262,956	42,054
Total comprehensive income (loss) for the period	2,023,800	679,079	3,135,953	(105,069)

Biorem Inc.

Condensed Consolidated interim statements of shareholders' equity

Nine months ended September 30, 2024 and 2023

(In Canadian dollars, unaudited)	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
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
Balance, as at January 1, 2024	4,997,423	2,368,921	1,270,033	(1,916,592)	6,719,785
Earnings for the period	-	-	-	2,872,997	2,872,997
Foreign currency translation differences on foreign operations	-	-	262,956	-	262,956
Total comprehensive earnings for the period	-	-	262,956	2,872,997	3,135,953
Stock options exercised	11,400	(11,400)	-	-	11,400
Stock-based compensation	-	99,675	-	-	99,675
	11,400	88,275	-	-	111,075
Balance, as at September 30, 2024	5,008,823	2,457,196	1,532,989	956,405	9,966,813

Biorem Inc.

Condensed consolidated interim statements of cash flows

Nine months ended September 30, 2024 and 2023

(In Canadian dollars, unaudited)	Notes	2024	2023
		\$	\$
Operating activities			
Net earnings (loss)		2,872,997	(147,123)
Items not involving cash:			
Deferred tax expense (recovery)		1,035,843	(53,045)
Depreciation		333,160	185,850
Accretion lease interest		61,563	22,364
Stock option compensation		99,675	91,800
		4,403,238	99,846
Change in non-cash operating working capital			
Accounts receivable		4,240,447	3,032,239
Unbilled revenue		903,864	391,472
Inventories		(1,983,359)	(413,613)
Prepaid expenses and deposits		498,706	(862,351)
Accounts payable		(1,582,224)	(1,294,672)
Accrued liabilities		(275,695)	(477,753)
Income taxes payable		19,157	(645,528)
Provisions		54,936	(122,259)
Unearned revenue		(904,158)	744,224
Cash provided by (used in) operations		5,374,912	451,605
Investing activities			
Purchase of equipment, leasehold improvements		(366,811)	(673,541)
		(366,811)	(673,541)
Financing activities			
Repayments of operating loan		-	(775,001)
Term loan repayments		(408,369)	(391,250)
Payment of lease liabilities		(191,021)	(134,427)
Proceeds from issuance of common shares on exercise of stock options			69,000
		(599,390)	(1,231,678)
Foreign exchange gain(loss) on foreign denominated cash and cash equivalents		574,123	61,718
Increase(decrease) in cash and cash equivalents		4,982,834	(1,391,896)
Cash and cash equivalents, beginning of year		2,291,799	3,775,018
Cash and cash equivalents, end of period		7,274,633	2,383,122

Biorem Inc.

Notes to the condensed consolidated interim financial statements September 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 November 6, 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 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.

Biorem Inc.

Notes to the condensed consolidated interim financial statements September 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		Nine months ending	
	Sept 2024	Sept 2023	Sept 2024	Sept 2023
	\$	\$	\$	\$
Canada	3,423,019	3,141,128	7,952,360	5,756,003
United States	10,965,946	2,309,346	19,633,049	6,503,929
China	-	-	-	149,972
Other	496,575	58,834	518,534	548,740
Total	14,885,540	5,509,308	28,103,943	12,958,644

Capital assets (1)	Period ending	
	Sept 2024	Sept 2023
	\$	\$
Canada	448,833	603,827
United States	1,604,691	884,581
Total	2,053,524	1,488,408

(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 2024	Sept 2023	Sept 2024	Sept 2023
			\$	\$
Foreign exchange gain(loss)		11,552		73,279
Total	-	11,552	-	73,279

Biorem Inc.

Notes to the condensed consolidated interim financial statements September 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

Current	Interest rate	Maturity	September 30 2024	December 31 2023
	%		\$	\$
Working capital loan	Prime +.075	On demand	-	-
Current portion term loan	4.07	2025	564,762	547,478
			<u>564,762</u>	<u>547,478</u>
Non-current				
Term loan	4.07	12/01/28	2,566,823	2,975,192
Current portion	4.07	2025	(564,762)	(547,478)
			<u>2,002,061</u>	<u>2,427,714</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	2024	
	\$	\$
At December 31	425,758	621,987
Provisions used during the period	-	(208,901)
Provisions made during the period	73,112	12,672
At September 30	<u>\$ 498,870</u>	<u>\$ 425,758</u>

Biorem Inc.

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

9. Financial Instruments

Fair value of financial instruments

	September 30, 2024		December 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	7,274,633	7,274,633	2,291,799	2,291,799
Accounts receivable	7,702,868	7,702,868	12,042,368	12,042,368
	<u>14,977,501</u>	<u>14,977,501</u>	<u>14,334,167</u>	<u>14,334,167</u>
Financial liabilities				
Accounts payable and accrued liabilit	6,540,706	6,540,706	8,269,113	8,269,113
Interest bearing loans	2,568,031	2,280,557	2,976,137	2,478,222
Lease liabilities	1,162,136	1,162,136	1,209,042	1,209,042
	<u>10,270,873</u>	<u>9,983,399</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.

10. Earnings per share

	Three months ended		Six months ended	
	Sept 2024	Sept 2023	Sept 2024	Sept 2023
	\$	\$	\$	\$
Net earnings(loss)	2,192,081	503,093	2,872,997	(147,123)
Common shares outstanding	15,799,727	15,697,437	15,799,727	15,697,437
Dilutive Options	2,841,267	1,802,472	2,841,267	1,802,472
Total	<u>18,640,994</u>	<u>17,499,909</u>	<u>18,640,994</u>	<u>17,499,909</u>