

Condensed Consolidated Interim Financial Statements of

Biorem Inc.

Periods ended March 31, 2018 and 2017

(Unaudited)

Biorem Inc.

March 31, 2018 and 2017

(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, 2018 and December 31, 2017

(In Canadian dollars, unaudited)	Notes	March 31, 2018	December 31, 2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		5,795,152	3,568,447
Accounts receivable		3,325,661	8,010,558
Unbilled revenue		2,653,016	2,622,411
Inventories		450,675	705,198
Prepaid expenses and deposits		543,417	674,710
Investment tax credits recoverable		-	-
		12,767,921	15,581,324
Non-current assets			
Equipment and leasehold improvements		98,282	80,459
		-	-
Total assets		12,866,203	15,661,783
Liabilities			
Current liabilities			
Accounts payable		2,005,085	4,012,166
Accrued liabilities		1,327,071	1,345,046
Provisions	7	511,998	463,728
Unearned revenue		1,714,446	2,541,532
		5,558,600	8,362,472
Shareholders' equity			
Common shares		17,204,855	17,204,855
Contributed surplus		1,977,118	1,950,818
Accumulated other comprehensive income		733,370	582,812
Deficit		(12,607,740)	(12,439,174)
Total shareholders' equity		7,307,603	7,299,311
		-	-
Total liabilities and shareholders' equity		12,866,203	15,661,783

Biorem Inc.

Condensed consolidated interim statements of operations Three months ended March 31, 2018 and 2017

(In Canadian dollars, unaudited)	Notes	2018	2017
		\$	\$
Revenue		3,883,127	3,083,049
Cost of goods sold		3,067,779	1,939,212
Gross profit		815,348	1,143,837
Expenses (income)			
Sales and marketing		483,403	436,823
Research and development		98,482	95,027
General and administration		644,280	597,421
Other expense (income)	5	(245,182)	2,455
Total operating expenses		980,983	1,131,726
Earnings from operations		(165,635)	12,111
Finance costs		2,931	(4,910)
Net earnings		(168,566)	17,021
Earnings per share, basic		0.00	0.00
Earnings per share, diluted		0.00	0.00

Biorem Inc.

Condensed consolidated interim statement of comprehensive income (loss) Three months ended March 31, 2018 and 2017

(In Canadian dollars, unaudited)	2018	2017
	\$	\$
Net income	(168,566)	17,021
Other comprehensive income (loss)		
Item that will not be reclassified into profit and loss		
Foreign currency translation differences on foreign operations	150,558	67,613
Total comprehensive income for the period	(18,008)	84,634

Biorem Inc.

Consolidated statements of changes in shareholders' equity

Three months ended March 31, 2018 and 2017

In Canadian dollars	Notes	Common shares	Share purchase warrants	Contributed surplus	Accumulated other comprehensive income(loss)	Deficit	Total
		\$	\$	\$	\$	\$	\$
Balance, as at January 1, 2017		13,789,081	51,351	2,368,659	187,147	(13,969,290)	2,426,948
Earnings for the year		-	-	-	-	17,021	17,021
Foreign currency translation differences on foreign operations		-	-	-	67,613	-	67,613
Total comprehensive earnings for the year		-	-	-	67,613	17,021	84,634
Conversion of debentures		2,624,142	-	(506,853)	-	-	2,117,289
Warrants exercised		758,728	(51,351)	-	-	-	707,377
Stock-based compensation		-	-	16,150	-	-	16,150
		3,382,870	(51,351)	(490,703)	-	-	2,840,816
Balance, as at March 1, 2017		17,171,951	-	1,877,956	254,760	(13,952,269)	5,352,398
Balance, as at January 1, 2018		17,204,855	-	1,950,818	582,812	(12,439,174)	7,299,311
Earnings for the year		-	-	-	-	(168,566)	(168,566)
Foreign currency translation differences on foreign operations		-	-	-	150,558	-	150,558
Total comprehensive earnings for the year		-	-	-	150,558	(168,566)	(18,008)
Stock-based compensation		-	-	26,300	-	-	26,300
		-	-	26,300	-	-	26,300
Balance, as at March 31, 2018		17,204,855	-	1,977,118	733,370	(12,607,740)	7,307,603

See accompanying notes to condensed consolidated interim financial statements

Biorem Inc.

Condensed consolidated interim statements of cash flows Three months ended March 31, 2018 and 2017

(In Canadian dollars, unaudited)	Notes	2018	2017
		\$	\$
Operating activities			
Net earnings(loss)		(168,566)	17,021
Items not involving cash:			
Depreciation		3,753	8,898
Finance costs		-	(4,910)
Stock based compensation		26,300	16,150
Foreign exchange loss (gain)		-	10,046
		(138,513)	47,205
Change in non-cash operating working capital			
Accounts receivable		4,812,461	4,284,794
Unbilled revenue		(9,994)	(73,695)
Inventories		273,340	(463,684)
Prepaid expenses and deposits		148,268	(165,724)
Investment tax credits recoverable		-	27,023
Accounts payable		(2,071,406)	(648,686)
Accrued liabilities		(25,109)	293,231
Provisions		48,270	(162,916)
Unearned revenue		(888,562)	(722,487)
Cash provided by (used in) operating activities		2,148,755	2,415,061
Investing activities			
Purchase of equipment		(21,576)	-
Cash provided by (used in) investing activities		(21,576)	-
Financing activities			
Proceeds from issuance common shares on exercise of warrants		-	707,377
Cash provided by (used in) financing activities		-	707,377
Foreign exchange gain(loss) on foreign denominated cash and cash equivalents		99,526	31,505
Increase(decrease) in cash and cash equivalents		2,226,705	3,153,943
Cash and cash equivalents, beginning of year		3,568,447	1,118,297
Cash and cash equivalents, end of year		5,795,152	4,272,240

Biorem Inc.

Notes to the consolidated interim financial statements

March 31, 2018 and 2017

(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 2017 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 15, 2018.

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 Hong Kong, and Biorem (Beijing) Technologies Company Limited 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, 2018 and 2017

(unaudited)

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 2017 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 2018	March 2017	March 2018	March 2017
	\$	\$	\$	\$
Canada	384,739	1,072,720	35,172	50,758
United States	2,361,346	1,450,593	23,980	31,265
China	378,095	6,485	39,130	13,049
Other	758,947	553,251	-	-
Total	3,883,127	3,083,049	98,282	95,072

5. Other income

The composition of other income is as follows:

	Three months ended	
	March 2018	March 2017
	\$	\$
Government funding	10,657	7,591
Foreign exchange gain (loss)	234,525	(10,046)
Total	245,182	(2,455)

6. Contingency

The Company along with multiple other defendants is subject to a claim for \$12 million for damages related to an explosion at a waste water treatment plant in Ontario in 2014. The Company believes that the allegations contained in the statement of claim are without merit and plans to vigorously defend itself. No reliable estimate of any contingency can be made at this time, consequently no provision has been made for this claim.

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, 2018 and 2017

(unaudited)

7. Provisions

Warranty

At December 31, 2017	\$ 463,728
Provisions used during the period	(12,954)
Provisions made during the period	61,224
At March 31, 2018	\$ 511,998

8. Financial Instruments

Fair value of financial instruments

	March 31, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	5,795,152	5,795,152	3,568,447	3,568,447
Accounts receivable	3,325,661	3,325,661	8,010,558	8,010,558
	9,120,813	9,120,813	11,579,005	11,579,005
Financial liabilities				
Accounts payable and accrued liabilities	3,332,156	3,332,156	5,357,212	5,357,212
	3,332,156	3,332,156	5,357,212	5,357,212

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.