BIOREM Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")

For the Quarter Ended March 31, 2016

Introduction

This Management Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the Company's consolidated results of operation and financial condition. This discussion should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2015 and the accompanying notes, which are prepared in accordance with International Financial Reporting Standards or "IFRS" and the Company's condensed consolidated interim financial statements for the period ended March 31, 2016. This discussion is based on information available to management as of May 19, 2016, unless otherwise indicated.

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars.

The core business of the Company is to provide advanced technology biological filters for removal of odors, volatile organic compounds (VOCs), hazardous air pollutants (HAPs) and for the conditioning of biogas renewable energy. With over 1,000 installed systems and over a decade of experience, the Company's groundbreaking biofilters are the technology of choice for wastewater treatment plants across North America. Additional information about the Company, including our most recently filed Annual Report, is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are used to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this MD&A, May 19, 2016. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances.

Non-IFRS Measures

"EBITDA," "Order Bookings," "Order Backlog" and "Working capital" do not have any standardized meaning prescribed by IFRS and may not be comparable to measures presented by other companies.

EBITDA is used to denote earnings (loss) from operations before interest, income taxes, foreign exchange gains and losses, depreciation and amortization. This measure is important to the Company since it is used by potential investors and lenders to evaluate the ongoing cash generating capability of the Company and thus the amounts they are willing to invest and lend to the Company.

Order Bookings and Order Backlog are non-IFRS measures that the Company uses to evaluate its sales performance. Order Bookings are those binding contracts that the Company enters into during a fiscal year with a third party for the delivery of our products or services. As Order Bookings are received, the contract value (before any associated sales taxes) is included in the Order Backlog. The Order Backlog is reduced by the revenue that is recognized on each project and is also adjusted for foreign exchange changes in the period presented.

Overview

Biorem is a leading clean technology company that designs, manufactures and distributes a comprehensive line of high-efficiency emissions control systems used to eliminate odors, volatile organic compounds (VOCs) and hazardous air pollutants (HAPs). Biorem also offers Biogas Conditioning technologies specializing in biological treatment of hydrogen sulfide.

Biorem offers a selection of products that can be tailored to suit application specific requirements. Biorem ensures optimized long-term performance on every application by custom-designing systems to meet the individual needs of their clients.

Biorem has sales and manufacturing offices across North America and in China, a dedicated research facility, an analytical and microbial laboratory, a worldwide sales representative network, and a dedicated service and support division. As a result, Biorem has the resources available to ensure that projects are handled promptly and professionally from conception to completion.

The Company has more than 1,000 installed systems worldwide.

Significant Events For The First Quarter 2016

Key events of note in Q1 2016 include the following:

- Revenues for the quarter increased by 27% over previous quarter to $4.2 million

- Earnings for the quarter were $374,000 representing $0.02 per share

- Order bookings for the quarter were $3.6 million

- Order backlog at the end of the quarter stood at $16.0 million

- Working capital increased to $2.2 million at March 31, 2016 compared to $1.8 on December 31, 2015 and $1.4 million on March 31, 2015

- Accounts receivable increased to $3.9 million at March 31, 2016 from $2.7 million on December 31, 2015 due to shipments being skewed to the latter half of the first three months of 2016

Selected Quarterly Information (Unaudited)

Selected Balance Sheet Information as at

(in ,000's)	March 31 2016	December 31 2015	September 30 2015	June 30 2015	March 31 2015	December 31 2014
Cash and cash equivalents	2,214	2,275	1,661	2,031	1,321	1,212
Accounts receivable	3,946	2,699	4,672	3,767	4,492	2,875
Unbilled revenue	1,981	2,156	2,074	1,448	1,222	1,428
Working capital	2,176	1,786	1,523	2,817	1,372	584
Total assets	9,874	9,295	10,619	9,127	9,068	7,689
Accounts payable	2,281	1,795	2,564	1,944	2,383	1,645
Accrued liabilities	648	1,041	1,151	981	1,100	1,079
Deferred revenue	1,547	1,272	1,549	1,267	1,293	1,338
Other long term liabilities	-	-	-	2,013	1,161	1,109
Shareholders' equity	2,314	1,933	1,683	1,002	437	(258)

Selected Statement of Operations information for the three month periods ended

(in ,000's)	March 31 2016	December 31 2015	September 30 2015	June 30 2015	March 31 2015	December 31 2014
Revenue	4,192	3,311	4,171	4,709	4,689	3,968
Cost of goods sold	2,749	2,011	2,663	3,053	3,158	2,642
Gross margin	1,443	1,300	1,508	1,656	1,531	1,326
Total operating expenses	968	1,061	1,084	818	834	1,191
Other items	102	114	106	120	169	204
Net earnings (loss)	374	125	318	718	528	(69)
EPS-basic	0.02	0.02	0.02	0.05	0.04	-
EPS- fully diluted	0.01	0.01	0.01	0.02	0.02	-

All amounts except Working capital have been determined under IFRS.

Financial Results For The Three Months Ended March 31, 2016

The following analysis of the results of operations for the three months ended March 31, 2016 includes comparisons to the three months ended December 31, 2015 and March 31, 2015

Revenues

Revenues for the quarter were $4.2 million, an increase of $880,000 or 27% over the previous quarter and $500,000 and 11% below the three months ended March 31, 2015. The difference in Q1 2016 revenues and the previous quarter and the similar quarter a year ago were largely the result of differences in the timing of customers delivery requirements in the corresponding periods.

Revenue by Geography

	March 2016	December 2015	March 2015
Canada	$495,000	$1,152,000	$532,000
United States	2,720,000	1,761,000	2,203,000
China	126,000	360,000	926,000
Other	851,000	38,000	1,028,000
Total Revenue	$4,192,000	$3,311,000	$4,689,000

Biorem's core market is the North American municipal odour control market with international distribution established in China, Middle East, Americas and South Africa as well as opportunistically in other jurisdictions. Project delivery mix varies from quarter to quarter but from the data it is evident that the Company relies heavily on the USA and Canada. The project mix in the current backlog of the Company is consistent with the geographic mix shown in the table.

A number of factors contribute to variations in the Company's quarterly results: customer scheduling and delivery of our products, the Company's mix of product and service offerings, the currency in which the revenue is earned and the timing of revenue recognition.

Bookings and Backlog

Order Bookings	March 2016	December 2015	March 2015
	$3,600,000	$2,400,000	$4,500,000

Order Bookings are those binding contracts that the Company enters into with a third party for the delivery of our products or services. Bookings can vary considerably from quarter to quarter, due to both the size of the contracts won and the timing of the awarding of the contracts.

Bookings in Q1 were $3.6 million and were $1.2 million higher than the immediately prior quarter and $900,000 below 2015 Q1 bookings. The Company's bidding activity over the last three months continued to be robust.

Order Backlog	March 2016	December 2015	March 2015
	$16,000,000	$16,700,000	$14,700,000

The value of the Company's order backlog at March 31, 2016 has decreased by $700,000 over the value of the backlog at December 31, 2015 and has increased $1.3 million or 9% over the backlog at March 31, 2015.

Due to customer scheduling, the Company cannot provide precise guidance as to the quarters when the Backlog will be converted into revenue however management's current estimate is that most of the Backlog will be converted into revenue during fiscal 2016.

Gross Profit and Operating Expenses

Gross Profit	March 2016	December 2015	March 2014
	$1,443,000	$1,300,000	$1,531,000

Gross profit for the quarter was 34.4% of revenue compared to 39.3% for the quarter ended December 31, 2015 and 32.7% for the quarter ended March 31, 2015. The increase in gross profit over the prior the quarter was due to the higher revenues in the quarter and the decline in gross margin percentage was primarily due to the higher value of the Canadian dollar against the US dollar during the first quarter. Generally the percentage of variable costs to revenue recognized in the quarter was equivalent to recent prior quarters.

The fixed component of cost of goods sold which includes engineering and project management costs has averaged $500,000 per quarter, over the last five quarters and was a similar amount in Q1.

Sales and Marketing	March 2016	December 2015	March 2015
	$421,000	$443,000	$513,000

The Company's Sales and Marketing expenditures are composed of two significant categories; variable selling costs and Sales Department expenditures.

Variable selling costs represent amounts that are paid to both internal sales employees and external manufacturer representatives. These costs are incurred when the project revenue is recognized during the period. Sales Department expenditures relate primarily to departmental salaries and advertising expenses.

Sales and marketing costs for the first quarter of 2016 totaled $421,000 and represented 10.0% of revenue compared to $433,000 or 13.4 % of revenue for the previous quarter and $513,000 and 10.9% of revenue for the quarter ended March 31, 2015. The decrease in sales and marketing costs as a percentage of revenue in the quarter was largely due to higher base of revenue to carry the fixed sales department expenditures.

Research and Development	March 2016	December 2015	March 2015
	$76,000	$102,000	$120,000

Research and Development expenditures include research and development salaries, material and laboratory costs as well as subcontractor costs for the development of and installation of demonstration sites.

Research and development expenditures during the quarter were lower than previous quarters due to reduction in staffing. Research continues into new and better filter media and thermophilic bioreactors.

General and Administrative	March 2016	December 2015	March 2015
	$360,000	$536,000	$366,000

General and Administration expenditures include administrative salaries, consulting, office supplies, regulatory and transfer fees, travel and corporate affairs.

General and administrative expenses for the first quarter were comparable to other recent prior quarters with the exception of the quarter ended December 31, 2015 which had higher than normal general and administrative costs due to the recording of a provision for the uncollectablity of certain accounts receivable..

Other Expense(Income)	March 2016	December 2015	March 2015
	$111,000	$(21,000)	$(164,000)

Other expense (income) in the quarter comprised $40,000 of government funding and $151,000 of foreign exchange loss on the monetary assets of Biorem Technologies Inc held in US dollars compared to $21,000 of foreign exchange loss and $42,000 of government funding in the fourth quarter of 2015. The increase in foreign exchange loss during the quarter was due to the increase in value of the Canadian dollar against the US dollar during the quarter.

Liquidity

The Company finances its operations and capital expenditures through cash generated from operations and equity and debt financings.

2016 Cash flow

Cash and cash equivalents	March 2016	December 2015	March 2015
	$2,214,000	$2,275,000	$1,321,000

Cash decreased by $511,000 to $2,214,000 as at March 31, 2016 from $2,725,000 as at December 31, 2015. The majority of the Company's cash is denominated in US dollars as at March 31, 2016.

Operating activities used $132,000 of cash during the quarter. The decrease in cash is primarily due to a $1,399,000 increase in accounts receivable, a decrease in accrued liabilities of $418,000 and $225,000 repayment of long-term debt during the quarter. These uses of cash were partially offset by a $549,000 increase in accounts payable and a $490,000 increase in unearned revenue during the quarter. Cash and cash equivalents held also declined by $125,000 due to the increase in value of the Canadian dollar against the US dollar.

The sources and uses of cash for the quarters ended are summarized below:

	March 2016	December 2015	March 2015
Cash provided by (used in) operating activities	($132,000)	$1,172,000	$198,000
Cash provided by (used in) investing activities	(12,000)	(6,000)	-
Cash provided by (used in) financing activities	(242,000)	(227,000)	(252,000)
Foreign exchange gain (loss) on cash	(125,000)	125,000	163,000
Net increase (decrease) in cash	($511,000	$1,064,000	$109,000

Cash (used in) provided by operating activities - Earnings from operating activities during the quarter generated $643,000 of cash and $775,000 of cash was used to fund non-cash working capital. In particular $1,399,000 was used to fund an increase in accounts receivable and $418,000 to reduce accrued liabilities. This use of cash was offset by a $491,000 increase in unearned revenue, a $549,000 increase in accounts payable and a $200,000 reduction in restricted cash.

Cash used in investing activities – The Company purchased $12,000 of molds during the quarter.

Cash used in financing activities - During the quarter the Company used $26,000 to pay interest on its' debenture payable and $225,000 to repay principal on its 12.75% debenture.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business including proposals on major investments. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company's objectives of managing liquidity risk are to forecast the liquidity position as accurately as possible and to maintain sufficient resources to pursue its growth strategy. The Company's financial liabilities include accounts payable and accrued liabilities, unearned revenue and contract advances as well as long and short term debt.

The Company's net current assets (liabilities) are summarized below.

	March 2016	December 2015	March 2015
Cash and cash equivalents	$2,214,000	$2,725,000	$1,321,000
Restricted cash	715,000	715,000	805,000
Working capital	2,176,000	1,786,000	1,372,000
Current portion long term debt	2,700,000	2,874,000	2,288,000
Net current assets (liabilities)	$2,176,000	$1,786,000	$1,372,000

(1) Working capital represents total current assets less total current liabilities. Total current assets includes cash and restricted cash. Total current liabilities includes current portion of debentures.

At March 31, 2016, restricted cash includes $500,000 in cash which has been deposited as collateral for a letter of credit issued to an insurance company under the terms of a performance bond. Restricted cash is not available for general use by the Company.

The Company is subject to a debt covenant in connection with its 12.75% debenture, as described in note 17 to the December 31, 2015 consolidated financial statements, which requires the Company to maintain an unrestricted cash balance of $200,000 at the end of each quarter. Given this amount is required to be on hand and otherwise unencumbered at each reporting period, the Company has presented this amount within restricted cash.

The increase in working capital from March 31, 2015 to March 31, 2016 is primarily due to net earnings over the 12 month period offset by approximately $1.1 million of long-term debt that has been reclassified as current due to its maturity in 2016.

On January 29, 2016 the Company signed an amendment to the 12.75% debenture agreement amending the repayment terms. Under the revised terms, $75,000 is due each month until the debenture is repaid.

A maturity analysis as at March 31, 2016 of the Company's financial liabilities based on gross, undiscounted cash flows is presented below. The maturity analysis is based on the earliest date that liabilities may be due.

	Carrying Amount	Contractual Cash Flow	Less than 1 month	1-3 months	3 months to 1 year	1+ years	Total
	$	$	$	$	$	$	$
March 2016							
Accounts payable	2,281,046	2,281,046	2,281,046	-	-	-	2,281,046
Accrued liabilities	647,879	647,879	647,879	-	-	-	647,879
Current portion LT debt	2,700,337	2,845,301	-	243,647	2,601,654	-	2,845,301
Long-term debt	-	-	-	-	-		-
	5,629,262	5,774,226	2,928,925	243,647	2,601,654	-	5,774,226
December 2015							
Accounts payable	1,794,540	1,794,540	1,794,540	-	-	-	1,794,540
Accrued liabilities	1,040,870	1,040,870	1,040,870	-	-	-	1,040,870
Current portion LT debt	2,874,416	3,102,874	-	283,319	2,819,555	-	3,102,874
Long-term debt	-	-	-	-	-	-	-
	5,709,826	5,938,284	2,835,410	283,319	2,819,555	-	5,938,284

Capital Resources

The Company currently does not have any undrawn debt facilities. The Company does not have any significant capital expenditure projects underway or forecasted in 2016.

Financial instruments

At March 31, 2016 the Company held no forward exchange contracts.

Commitments

Commitments include operating leases for office equipment and facilities, bank guarantees, and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Aside from the aforementioned, the Company does not have any other business arrangements or any equity interests in unconsolidated companies that would have a significant effect on its assets and liabilities as at March 31, 2016.

Off-Balance Sheet Arrangements

As a general practice, the Company does not enter into off-balance sheet financing arrangements. Except for operating leases and letters of credit, all commitments are reflected on the balance sheet.

Transactions with Related Parties

The Company did not have any material related party transactions during the three months ended March 31, 2016.

Outstanding Share Data

	March 31 2016	December 31 2014	March 31 2015
Common shares	15,421,952	15,169,046	12,989,062
Employee stock options (1)	447,000	447,000	1,075,666
Share purchase warrants	5,846,710	5,917,432	6,922,692
	21,715,662	21,533,478	20,987,420
Convertible debentures (1)	16,695,530	16,620,885	17,311,828
	38,411,192	38,154,363	38,299,248

(1) Assumes 100% conversion of outstanding options and convertible debentures

There have been no material changes to the Company's outstanding share data from March 31, 2016 to the date of this MD&A.

Significant Accounting Policies and Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related contingent assets and liabilities. On an on-going basis, management evaluates the estimates including those related to long-term revenue contracts, intangible assets, goodwill, bad debts, warranty obligations and income taxes. The estimates are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates. The following critical accounting policies include those which involve management's more significant judgments and estimates:

a) Revenue recognition: The Company derives revenue from long-term contracts which require performance over a time span which may extend beyond one or more accounting periods. The Company recognizes revenue on long-term contracts using the percentage-of-completion method, based on costs incurred relative to the estimated total contract costs. Management has concluded that costs incurred are the best available measure of progress toward completion of these contracts. Estimated total direct contract costs is subjective and requires the use of our best judgments based upon the information we have available at that point in time. Management's estimate of total direct contract costs has a direct impact on the revenue recognized by the Company. . Changes in estimates

are reflected in the period in which they are made and would affect revenue and cost of sales and unbilled or unearned revenue.
The Company also provides for estimated losses on incomplete contracts in the period in which such losses are determined.

b) Deferred income taxes: Deferred income tax assets are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying value of assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment. The income tax bases of assets and liabilities are based upon the interpretation of income tax legislation across various jurisdictions. The deferred income tax assets and liabilities are also impacted by expectations about future operating results and the timing for reversal of temporary differences as well as possible audits of tax filings by the regulatory authorities. In accessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income and tax planning strategies in making this assessment. The Company has not recorded deferred tax assets as at March 31, 2016.

c) Investment tax credits: In the normal course of operations, the Company's Scientific Research & Experimental Development (SR&ED) expense claims are subject to review by federal and provincial government authorities. Reviews of certain of the Company's SR&ED claims are incomplete at March 31, 2016 and as such, amounts disclosed may be subject to change, pending the outcome of such reviews.

d) Warranty obligations: Management routinely assesses and adjusts for its anticipated warranty costs based on experience and estimates of the potential warranty obligations for its installations.

e) Bad debt expense: Management routinely reviews accounts receivable and sets up a reserve for bad debts on a customer-by-customer basis. This is an estimate since some of the reserved accounts may be collected and we may subsequently find that some accounts currently deemed collectible become uncollectible.

f) Long lived assets: Management reviews the carrying value of long lived assets including plant and equipment and amortizable intangible assets for impairment to determine if the carrying value of an asset may not be recoverable due to changes in the current and expected future use of the asset, external valuations of the asset, and the obsolescence or physical damage to the asset. If such indicators of impairment exist, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash generating unit exceeds its estimated recoverable amount.

g) Compound financial instruments: The financial liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, representing the holders' option to convert into common shares, is recognized initially at fair value determined as the excess of the face value of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is included within contributed surplus and is not re-measured subsequent to initial recognition.

h) Interest, as well as any gains and losses relating to the financial liability are recognized in profit or loss.

i) There were no new accounting policies adopted during the period.

Outlook

The first quarter of 2016 continued the positive trend of profitability achieved throughout 2015 and was largely due in part to a strong end of year backlog and good project execution. Bidding activity in the first quarter was strong, with a large number of the contracts not yet assigned. This factor, combined with a March 31, 2016 backlog of $16M provide a strong foundation for the near to medium term performance of the Corporation.

Debt is being retired at a sustainable rate. Overall, the Company is well positioned to continue work on new product and market development initiatives.

Given the nature of construction projects and their tendency for delays we continue to expect some variability of revenue between quarters in 2016 but have programs in place to minimize the overall annual impact. This will be continued to be monitored closely over the coming periods.

Risks and Uncertainties

Liquidity risk

At March 31, 2016 the Company had working capital of $2,176,000, which is net of $2.7 million of long-term debt that has been classified as a current liability due to its maturity in 2016.

All of the Company's long-term debt is due between April 1, 2016 and December 31, 2016. Management expects that the long-term debt repayment obligations will be met through cash generated from operations and from the conversion of convertible debentures to common shares. refinanced through other sources of financing, revised payment terms and extension of the maturity dates of the debt, or other methods. However there is no certainty that the convertible debentures will be converted to common shares or that cash flow from operations will be sufficient to make the principal and interest payments on the 12.75% debenture

Sales Cycle

The Company's long sales cycle may cause revenue fluctuations period over period – since operating expenses are largely based on anticipated revenue trends and a significant portion of expenses are, and will continue to be, fixed, any delay in generating or recognizing revenues could negatively impact our business, operating results, financial condition or prospects.

Order Backlog

As of March 31, 2016 the Company's Order Backlog was $16 million. However, the expected future revenue from the Company's Order Backlog may not be realized or, if realized, may not result in net earnings. Projects could remain in Order Backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts reflected in the Company's Order Backlog. Cancellation or delay of contracts may have a material adverse effect on our financial status.

Delays or Defaults in customer payments affecting liquidity

Due to the nature of our contracts, at times we commit resources to projects prior to receiving payments from our customers in amounts sufficient to cover expenditures as they are incurred. Delays in customer payments may require us to make a working capital investment. If a customer defaults in making payments on a project to which we have devoted significant resources, it could have a material negative effect on our liquidity as well as the results from operations.

Reputation

The Company's reputation for technical expertise, high level of service and the lower life cycle cost of products compared to our competitors products is one of our most valuable business development assets. The loss of this reputation due to client dissatisfaction represents a risk to our ability to win additional business both from existing clients and from future clients.

Patents and Proprietary Right

The Company relies on a combination of patents, trademarks, trade secrets and knowledge to protect its proprietary technology and rights. There can be no assurance that the Company's patents will not be infringed upon, that the Company would have adequate remedies for any such infringement, or that its trade secrets will not otherwise become known or independently developed by its competitors. There can also be no assurance that any patents now or hereafter issued to, licensed by or applied for by the Company will be upheld, if challenged, or that the protections afforded thereby will not be circumvented by others.

Dependence on Subcontractors

The Company does not directly engage in field construction but relies on field construction subcontractors operating under the supervision of the Company's employees. The unavailability of field construction subcontractors, or a substantial increase in pricing by a significant number of these subcontractors could adversely affect the Company. In addition, failure of subcontractors to properly perform work that has been subcontracted to them could adversely affect the Company by increasing the costs to the Company of completing a project and by damaging the Company's reputation.

Product Liability

If there are defects in our systems or if significant reliability, quality or performance problems develop with respect to our systems, there may be a number of negative effects on our business. Our products are often installed in corrosive or flammable environments. The Company carries product liability insurance, which includes coverage for sudden or accidental pollution impact. It is possible that a customers' inability to comply with applicable pollution control laws or regulations stemming from failure or non-performance of the Company's products or systems may subject the Company to liability for any fines imposed upon such customer by regulatory authority or for damages asserted to have been incurred by any third party adversely affected.

The Company, along with multiple other defendants, is subject to a statement of claim for $12 million in damages related to an explosion that occurred at a water pollution control plant in Ontario in 2014. The Company believes the allegations against it in the statement of claim are without merit and plans to vigorously defend itself.

Competition

Virtually all contracts for the Company's products are obtained through competitive bidding. Although the Company competes on technical expertise, reputation for service and lower life cycle cost, there can be no assurance that the Company will maintain its competitive position in its principal markets.

Fixed Price Contracts may result in losses

The Company's receipt of a fixed price contract as a consequence of being the successful bidder carries the inherent risk that the Company's actual performance cost may exceed the estimates upon which its bid was based. To the extent that contract performance costs exceed projected costs, the Company's profitability could be materially affected.

Foreign Exchange

The Company is subject to risk of exchange rate fluctuations related to anticipated revenues, Order Backlog and existing assets and liabilities denominated in currencies other than Canadian dollars. At March 31, 2016, the Company had US dollar denominated net monetary assets of $3.7 million.

Stock Trading Volume is low

The monthly average trading volume of the BIOREM common shares on the Toronto Venture Exchange was 582,000 shares in 2015. Due to the low trading volume the price of the common shares could be subject to wide price fluctuations in response to business development announcements, competitors, quarterly variations in operating results, and other events or factors.

Risk to Product Development

Corporate resources are currently being expended on the development of the new media technologies. These technologies are constantly in development and have not yet been fully commercialized. There can be no guarantee that the new media technology will achieve the performance criteria which the Company believes is necessary for it to be a successful product in the market. In addition, there are risks associated with commercializing any product including the risk that full scale production may not be achieved at an acceptable cost level. Failure to successfully commercialize the new media technologies may materially and adversely affect the Company's financial condition and results of operations.

Acceptance of new products by the Market

Market risk exists for new products such as the new media. There is no assurance that new products will be accepted by the market, that desired volumes will be realized over the product life or that the product life will not be shorter than expected due to product obsolescence. New products that are launched by the Company's competitors may also have price or other advantages over the Company's products. In addition, new product offerings may also require more significant marketing and sales efforts to gain market acceptance.

Dependency on key personnel

The success of the Company is dependent upon the attraction and retention of highly skilled personnel in a number of key areas including management positions. The unexpected loss or departure of any of the Company's key officers or employees could have a material adverse effect on the future operations of the Company. The success of the Company's business will depend, in part, upon the Company's ability to attract and retain qualified personnel as they are needed.

There can be no assurance that the Company will be able to engage the services of such personnel or retain its current personnel.