



INVENTRONICS LIMITED

2019 THIRD QUARTER

UNAUDITED FINANCIAL STATEMENTS

For the periods ended September 30, 2019 and 2018

INVENTRONICS LIMITED

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

<i>As at</i> <i>(in thousands)</i>	September 30 2019 Unaudited	December 31 2018 Audited
ASSETS		
Current		
Trade and other receivables <i>[Note 6]</i>	\$ 859	\$ 895
Inventories <i>[Note 7]</i>	824	546
Other current assets	22	19
	1,705	1,460
Non-current		
Property, plant and equipment	2,159	2,177
Total Assets	\$ 3,864	\$ 3,637
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness <i>[Note 8]</i>	\$ 235	\$ 121
Trade and other payables <i>[Note 9]</i>	584	742
Current portion of restructuring obligation	63	63
Current portion of long-term debt <i>[Note 10]</i>	39	43
	921	969
Non-current liabilities		
Restructuring obligation	52	99
Long-term debt <i>[Note 10]</i>	2,119	2,143
Total Liabilities	3,092	3,211
Shareholders' equity		
Share capital <i>[Note 11]</i>	2,276	2,276
Contributed surplus	182	182
Accumulated deficit	(1,686)	(2,032)
Total Shareholders' Equity	772	426
Total Liabilities and Shareholders' Equity	\$ 3,864	\$ 3,637

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
Unaudited

<i>For the periods ended September 30</i> <i>(in thousands, except per share amounts)</i>	Three months		Nine months	
	2019	2018	2019	2018
Revenue	\$ 1,898	\$ 1,282	\$ 4,708	\$ 2,908
Cost of sales <i>[Note 7]</i>	1,446	1,012	3,681	2,437
Gross profit	452	270	1,027	471
Selling and administration expense	214	75	555	338
Interest expense	46	41	126	118
Earnings, before restructuring costs	192	154	346	15
Restructuring costs	-	188	-	188
Net income (loss)	\$ 192	\$ (34)	\$ 346	\$ (173)
Basic and diluted earnings (loss) per share <i>[Note 12]</i>	4.4¢	(0.8)¢	7.9¢	(3.9)¢

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
Unaudited

<i>For the periods ended September 30</i> <i>(in thousands)</i>	Three months		Nine months	
	2019	2018	2019	2018
OPERATING ACTIVITIES				
Net income (loss)	\$ 192	\$ (34)	\$ 346	\$ (173)
Add:				
Interest on long-term debt	38	33	108	100
Depreciation and amortization	23	21	67	62
Restructuring costs	-	188	-	188
	253	208	521	177
Changes in non-cash working capital balances <i>[Note 13]</i>	(13)	(153)	(403)	(277)
Cash provided (used) by operating activities	240	55	118	(100)
FINANCING ACTIVITIES				
Repayment of long-term debt <i>[Note 10]</i>	(9)	-	(29)	(21)
Interest on long-term debt <i>[Note 10]</i>	(38)	(33)	(108)	(100)
Payment of long term restructuring obligation	(16)	(10)	(47)	(10)
Increase (decrease) in bank indebtedness	(140)	(1)	114	261
Cash provided (used) by financing activities	(203)	(44)	(70)	130
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(37)	(11)	(48)	(30)
Cash provided (used) by investing activities	(37)	(11)	(48)	(30)
Increase (decrease) in cash and cash equivalents	-	-	-	-
Cash and cash equivalents, beginning of year	-	-	-	-
Cash and cash equivalents, end of the year	\$ -	\$ -	\$ -	\$ -

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
Unaudited

<i>(in thousands)</i>	Share capital	Contributed surplus	Accumulated Deficit	Total Shareholders' equity
Balance, December 31, 2017	\$ 2,276	\$ 182	\$ (2,048)	\$ 410
Net loss for the nine months ended September 30, 2018	-	-	(173)	(173)
Balance, September 30, 2018	\$ 2,276	\$ 182	\$ (2,221)	\$ 237
Balance, December 31, 2018	\$ 2,276	\$ 182	\$ (2,032)	\$ 426
Net income for the nine months ended September 30, 2019	-	-	346	346
Balance, September 30, 2019	\$ 2,276	\$ 182	\$ (1,686)	\$ 772

See accompanying notes

INVENTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2019 and 2018

Unaudited

1. DESCRIPTION OF BUSINESS

Inventronics Limited ("Corporation"), a corporation publicly traded on the TSX Venture Exchange under the symbol IVX is an individual entity incorporated in Alberta, Canada that is not part of any group of other entities. The Corporation, with its operations located in Brandon, Manitoba, designs and manufactures custom protective enclosures and related products for the telecommunications, electric transmission, cable, oil & gas and other industries in North America. The operations of the Corporation have historically been subject to seasonal fluctuations showing a close correlation with the North American construction industry. Typically, this pattern has the first quarter with a modest order volume, then increasing to higher levels through the second and third quarters, and finally reducing in the fourth quarter as construction slows for the winter.

2. DATE OF AUTHORIZATION FOR ISSUE

The Corporation's financial statements were authorized for issue on November 27, 2019 by the Corporation's Board of Directors.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim financial statements of the Corporation have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") *International Accounting Standard ("IAS") 34 Interim Financial Reporting* using accounting policies and methods applied in the preparation of the Corporation's audited annual financial statements for the year ended December 31, 2018. As such, these interim financial statements do not include all of the disclosures with respect to the requirements under IFRS for annual financial statements and thus should be read in conjunction with the Corporation's 2018 audited annual financial statements. The accounting principles applied are on the basis that the Corporation is a going concern, which assumes that the Corporation will continue operations into the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Management routinely plans future activities including forecasting cash flows using detailed projections that are based in part on historical experience as well as anticipated revenue and profit streams. If any working capital shortages are projected, management ensures that adequate lending facilities are in place to address them. It is management's opinion and judgement that the Corporation will continue to have adequate resources to operate over the next twelve months based on the Corporation's cash flow projections. All amounts in these financial statements are reported in Canadian dollars unless specifically stated to the contrary.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2019, the Corporation adopted the following standards, interpretations and/or amendments thereto, of which had no material impact on the Corporation's financial statements: (i) *IFRS 16 Leases*, which introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

5. FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables and long-term debt. The carrying values of these assets and liabilities are considered to approximate fair value due to the short-term maturity of these items or, in the case of long-term debt, due to the market interest rate attached to the long-term debt. Cash and cash equivalents and bank indebtedness are disclosed at fair value under Level 1 of the fair value hierarchy. Trade and other receivables, trade and other payables, and long-term debt are disclosed at fair value under Level 2.

6. TRADE AND OTHER RECEIVABLES

<i>As at</i> <i>(in thousands)</i>	September 30 2019	December 31 2018
Trade receivables	\$ 859	\$ 895

At September 30, 2019, based on management's review, a provision for doubtful accounts was deemed unnecessary. The Corporation did not incur any credit losses for the three and twelve months periods ended September 30, 2019 and December 31, 2018, respectively.

INVENTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2019 and 2018

Unaudited

7. INVENTORIES

<i>As at</i> <i>(in thousands)</i>	September 30 2019	December 31 2018
Raw materials	\$ 704	\$ 516
Work-in-progress	25	-
Finished goods	95	30
	\$ 824	\$ 546

For the three months ended September 30, 2019, the Corporation expensed inventory costs of \$1,089 (2018 - \$903) through cost of sales. At September 30, 2019, the provision for net realizable value was \$71 (December 31, 2018 - \$51).

8. BANK CREDIT FACILITIES

The Corporation has a demand operating credit facility with its bank in the form of an overdraft lending account which provides an authorized limit of \$850 with an interest rate of prime plus 2.50%. The credit facility is margined on the Corporation's accounts receivable and inventory balances and secured by a general security agreement constituting a first ranking security interest in all personal property of the Corporation and *Section 427* of the *Bank Act (Canada)* security over inventory. The Corporation is in compliance with all covenants and obligations pertaining to its demand operating credit facility.

9. TRADE AND OTHER PAYABLES

<i>As at</i> <i>(in thousands)</i>	September 30 2019	December 31 2018
Trade payables and other accrued expenses	\$ 419	\$ 584
Payroll accruals	126	126
Government remittances payable	39	32
	\$ 584	\$ 742

10. LONG-TERM DEBT

<i>As at</i> <i>(in thousands)</i>	September 30 2019	December 31 2018
Fixed rate mortgage bearing interest of 7.0%; maturing in 2042; repayable monthly in blended principal and interest installments of \$16; secured by a first mortgage on the Corporation's manufacturing facility and land in Brandon, Manitoba, a general security agreement providing a security interest in all of the Corporation's present and after acquired personal property but accepting a subordinate position to all existing registered charges.	\$ 2,181	\$ 2,210
Unamortized transaction costs	(23)	(24)
	2,158	2,186
Less: current portion	39	43
Long-term portion of long-term debt	\$ 2,119	\$ 2,143

Effective April 10, 2019, after a two-year period from the last rate reset, the Corporation selected a one-year fixed interest rate term with an interest rate of 7.0% and blended monthly payments of \$16. Although containing general performance conditions, the loan agreement does not contain any financial covenants that must be periodically tested. The Corporation is in compliance with all covenants and obligations pertaining to this agreement.

INVENTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2019 and 2018
Unaudited

11. SHARE CAPITAL

An unlimited number of common shares, with no par value, are authorized for issue. The authorized, issued and outstanding common shares of the Corporation, which are fully paid, are as follows:

<i>For the</i> <i>(dollar amounts in thousands)</i>	Nine months ended September 30, 2019		Twelve months ended December 31, 2018	
	Number of shares	Amount	Number of shares	Amount
Outstanding, beginning of period	4,405,145	\$ 2,276	4,405,145	\$ 2,276
Outstanding, end of period	4,405,145	\$ 2,276	4,405,145	\$ 2,276

A corporation, wholly-owned by a group consisting primarily of the members of the Corporation's senior management team, holds a controlling interest in the Corporation amounting to 3,020,000 common shares, or 68.6% of the outstanding common shares of the Corporation.

Stock option plan

The Corporation maintains a stock option plan for the benefit of employees and directors. At September 30, 2019, there were 400,000 stock options granted, outstanding and exercisable (December 31, 2018 – 400,000). There were 100,000 stock options granted in the three months ended September 30, 2019 and there was no activity related to the Corporation's stock option plan since September 30, 2019.

12. EARNING PER SHARE

<i>For the periods ended September 30</i> <i>(in thousands, except per share amounts)</i>	Three months		Nine months	
	2019	2018	2019	2018
Net income (loss)	\$ 192	\$ (34)	\$ 346	\$ (173)
Weighted average common shares outstanding	4,405	4,405	4,405	4,405
Basic and diluted earnings (loss) per share	4.4¢	(0.8)¢	7.9¢	(3.9)¢

For the three month period ended September 30, 2019, the calculation of diluted earnings per share does not differ materially from basic earnings per share.

13. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the periods ended September 30</i> <i>(in thousands)</i>	Three months		Nine months	
	2019	2018	2019	2018
Changes in non-cash working capital balances:				
Trade and other receivables	\$ 178	\$ (313)	\$ 36	\$ (377)
Inventories	248	(93)	(279)	(147)
Other current assets	1	2	(3)	(11)
Trade and other payables	(440)	251	(157)	258
	\$ (13)	\$ (153)	\$ (403)	\$ (277)

14. RELATED PARTY TRANSACTIONS

Three members of Inventronics' senior management team, as a group, control the corporation that owns approximately 69% of the outstanding common shares of the Corporation. The senior management team are members of Inventronics' Board of Directors ("Board") and receive no compensation for their service as Board members. The Corporation pays fixed and variable compensation to its senior management team for their employment services. For the three and nine months ended September 30, 2019, the Corporation expensed \$277 (2018 - \$85) and \$527 (2018 - \$361) related to those compensation arrangements.

The Corporation pays a fee of \$1 per month to the corporation that holds a controlling interest in the Corporation (see *Note 11 Share Capital*). For the three months ended September 30, 2019, the Corporation expensed \$3 (2018 - \$3) for this fee.