



INVENTRONICS LIMITED

2020 THIRD QUARTER

UNAUDITED FINANCIAL STATEMENTS

For the periods ended September 30, 2020 and 2019

INVENTRONICS LIMITED

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

<i>As at</i> <i>(in thousands)</i>	September 30 2020 Unaudited	December 31 2019 Audited
ASSETS		
Current		
Cash	\$ 6	\$ 52
Trade and other receivables <i>[Note 6]</i>	949	307
Inventories <i>[Note 7]</i>	715	772
Other current assets	47	16
	1,717	1,147
Non-current		
Property, plant and equipment	2,250	2,145
Total Assets	\$ 3,967	\$ 3,292
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness <i>[Note 8]</i>	\$ -	\$ -
Trade and other payables <i>[Note 9]</i>	457	424
Current portion of restructuring obligation	52	63
Current portion of long-term debt <i>[Note 10]</i>	45	40
	554	527
Non-current liabilities		
Restructuring obligation	-	36
Long-term debt <i>[Note 10]</i>	2,091	2,108
Total Liabilities	2,645	2,671
Shareholders' equity		
Share capital <i>[Note 11]</i>	2,276	2,276
Contributed surplus	184	182
Accumulated deficit	(1,138)	(1,837)
Total Shareholders' Equity	1,322	621
Total Liabilities and Shareholders' Equity	\$ 3,967	\$ 3,292

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	
	2020	2019	2020	2019
Revenue	\$ 2,050	\$ 1,898	\$ 4,685	\$ 4,708
Cost of sales <i>[Note 7]</i>	1,604	1,446	3,698	3,681
Gross profit	446	452	987	1,027
Selling and administration expense	202	214	536	555
Interest expense	33	46	115	126
Earnings, before government assistance and tax	211	192	336	346
Government assistance <i>[Note 15]</i>	73	-	363	-
Income tax	-	-	-	-
Net earnings	\$ 284	\$ 192	\$ 699	\$ 346
Basic and diluted earnings (loss) per share <i>[Note 12]</i>	6.5¢	4.4¢	15.9¢	7.9¢

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	
	2020	2019	2020	2019
OPERATING ACTIVITIES				
Net earnings	\$ 284	\$ 192	\$ 699	\$ 346
Add:				
Interest on long-term debt	31	38	103	108
Depreciation and amortization	27	23	73	66
Other items not involving cash	-	-	3	1
	342	253	878	521
Changes in non-cash working capital balances <i>[Note 13]</i>	(159)	(13)	(583)	(403)
Cash provided (used) by operating activities	183	240	295	118
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	-	(140)	-	114
Repayment of long-term debt <i>[Note 10]</i>	-	(9)	(13)	(29)
Interest on long-term debt <i>[Note 10]</i>	(31)	(38)	(103)	(108)
Payment of long term restructuring obligation	(16)	(16)	(47)	(47)
Cash provided (used) by financing activities	(47)	(203)	(163)	(70)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(135)	(37)	(178)	(48)
Cash provided (used) by investing activities	(135)	(37)	(178)	(48)
Increase (decrease) in cash and cash equivalents	1	-	(46)	-
Cash and cash equivalents, beginning of year	-	-	52	-
Cash and cash equivalents, end of the year	\$ 6	\$ -	\$ 6	\$ -

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, 2018	\$ 2,276	\$ 182	\$ (2,032)	\$ 426
Net earnings for the nine months ended September 30, 2019	-	-	192	192
Balance, September 30, 2019	\$ 2,276	\$ 182	\$ (1,840)	\$ 618
Balance, December 31, 2019	\$ 2,276	\$ 182	\$ (1,837)	\$ 621
Net earnings for the nine months ended September 30, 2020	-	2	699	701
Balance, September 30, 2020	\$ 2,276	\$ 184	\$ (1,138)	\$1,322

See accompanying notes

INVENTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2020 and 2019
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, the pattern has been an elevated order volume beginning in the Corporation's first quarter and continuing through much of the second quarter, a slowdown through the first part of the third quarter as summer vacations take effect, with a second wave of elevated activity in the latter part of the third quarter usually extending into the mid-fourth quarter.

2. DATE OF AUTHORIZATION FOR ISSUE

The Corporation's financial statements were authorized for issue on November 26, 2020 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, 2019. 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 2019 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. All amounts in these financial statements are reported in Canadian dollars unless specifically stated to the contrary.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

There are no new accounting standards, interpretations and/or amendments that the Corporation is required to adopt for 2020.

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 2020	December 31 2019
Trade receivables	\$ 949	\$ 307

At September 30, 2020, based on management's review, a provision for doubtful accounts was recorded in the amount of \$3 (December 31, 2019 – Nil). The Corporation incurred a credit loss in the three month period ended September 30, 2020 in the amount of \$37 (December 31, 2019 – Nil).

INVENTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2020 and 2019
Unaudited

7. INVENTORIES

<i>As at</i> <i>(in thousands)</i>	September 30 2020	December 31 2019
Raw materials	\$ 647	\$ 734
Work-in-progress	15	-
Finished goods	53	38
	<u>\$ 715</u>	<u>\$ 772</u>

For the three months ended September 30, 2020, the Corporation expensed inventory costs of \$1,181 (2019 - \$1,089) through cost of sales. At September 30, 2020, the provision for net realizable value was \$106 (December 31, 2019 - \$71).

8. BANK CREDIT FACILITIES

The Corporation has a demand operating credit facility in the form of an overdraft lending account which provides an authorized limit of \$850 with an interest rate of prime plus 1.75% (2019 – prime plus 2.50%). At September 30, 2020, an amount of \$850 under this facility was available, of which \$Nil was drawn (December 31, 2019 - \$575 available and \$Nil drawn). 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 2020	December 31 2019
Trade payables and other accrued expenses	\$ 325	\$ 302
Payroll accruals	123	103
Government remittances payable	9	19
	<u>\$ 457</u>	<u>\$ 424</u>

10. LONG-TERM DEBT

<i>As at</i> <i>(in thousands)</i>	September 30 2020	December 31 2019
Fixed rate mortgage bearing interest of 5.75%; maturing in 2042; repayable monthly in blended principal and interest installments of \$14; 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.	\$ 2,157	\$ 2,171
Unamortized transaction costs	(22)	(23)
	<u>2,135</u>	<u>2,148</u>
Less: current portion	44	40
Long-term portion of long-term debt	<u>\$ 2,091</u>	<u>\$ 2,108</u>

Effective April 10, 2020, after a one-year period from the last rate reset, the Corporation selected a fourteen-year fixed interest rate term with an interest rate of 6.0% and blended monthly payments of \$15. In addition, on June 17, 2020, the lender reduced the interest premium charged on this mortgage by a further 0.25%, resulting in a reduction of the blended monthly payments to \$14. 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. As a result of COVID-19 restrictions, the Corporation elected to suspend principle payments on this mortgage for a period of six months as offered by the lender; principle payments will resume in October 2020.

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NOTES TO THE FINANCIAL STATEMENTS

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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, 2020		Twelve months ended December 31, 2019	
	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 comprised of members of the Corporation's senior management team, holds a controlling interest in the Corporation amounting to 3,020,000 common shares, or 69% 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, 2020, there were 333,333 stock options granted, outstanding and exercisable (December 31, 2019 – 333,333). There was no activity related to the Corporation's stock option plan since September 30, 2020.

12. EARNING PER SHARE

<i>For the periods ended September 30</i> <i>(in thousands, except per share amounts)</i>	Three months		Nine months	
	2020	2019	2020	2019
Net earnings	\$ 284	\$ 192	\$ 699	\$ 346
Weighted average common shares outstanding	4,405	4,405	4,405	4,405
Basic and diluted earnings per share	6.5¢	4.4¢	15.9¢	7.9¢

For the three month periods ended September 30, 2020 and 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	
	2020	2019	2020	2019
Changes in non-cash working capital balances:				
Trade and other receivables	\$ (141)	\$ 178	\$ (642)	\$ 36
Inventories	456	248	58	(279)
Other current assets	(17)	1	(31)	(3)
Trade and other payables	(457)	(440)	32	(157)
	\$ (159)	\$ (13)	\$ (583)	\$ (403)

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, 2020, the Corporation expensed \$346 (2019 - \$291) and \$609 (2019 - \$591), respectively, 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, 2020, the Corporation expensed \$3 (2019 - \$3) for this fee.

15. GOVERNMENT ASSISTANCE

Due to the COVID-19 restrictions that were imposed in the second quarter of 2020, the Corporation experienced a decline in revenues qualifying it for government assistance through the Canada Emergency Wage Subsidy program in the amount of \$363 to September 30, 2020.