



INVENTRONICS LIMITED

2021 THIRD QUARTER

UNAUDITED FINANCIAL STATEMENTS

For the periods ended September 30, 2021 and 2020

INVENTRONICS LIMITED

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

<i>As at</i> <i>(in thousands)</i>	September 30 2021 Unaudited	December 31 2020 Audited
ASSETS		
Current		
Cash	\$ 772	\$ 131
Trade and other receivables <i>[Note 6]</i>	1,448	623
Inventories <i>[Note 7]</i>	1,213	652
Other current assets	45	26
	3,478	1,432
Non-current		
Property, plant and equipment	2,292	2,310
Deferred tax assets	389	-
Total Assets	\$ 6,159	\$ 3,742
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness <i>[Note 8]</i>	\$ -	\$ -
Trade and other payables <i>[Note 9]</i>	1,122	268
Dividend payable <i>[Note 11]</i>	961	-
Current portion of restructuring obligation	-	36
Current portion of long-term debt <i>[Note 10]</i>	51	50
	2,134	354
Non-current liabilities		
Long-term debt <i>[Note 10]</i>	2,041	2,079
Total Liabilities	4,175	2,433
Shareholders' equity		
Share capital <i>[Note 11]</i>	1,191	2,276
Contributed surplus	167	186
Retained earnings (deficit)	626	(1,153)
Total Shareholders' Equity	1,984	1,309
Total Liabilities and Shareholders' Equity	\$ 6,159	\$ 3,742

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
Unaudited

<i>For the periods ended June 30</i> <i>(in thousands, except per share amounts)</i>	Three months		Nine months	
	2021	2020	2021	2020
Revenue	\$ 3,348	\$ 2,050	\$ 7,924	\$ 4,685
Cost of sales <i>[Note 7]</i>	2,622	1,604	5,992	3,698
Gross profit	726	446	1,932	987
Selling and administration expense	118	202	641	536
Interest expense	31	33	97	115
Earnings, before government assistance and tax	577	211	1,193	336
Government assistance <i>[Note 15]</i>	-	73	-	363
Income tax (recovery)	(389)	-	(394)	-
Net earnings	\$ 967	\$ 284	\$ 1,587	\$ 699
Basic and diluted earnings (loss) per share <i>[Note 12]</i>	20.8¢	6.5¢	34.9¢	15.9¢

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
Unaudited

<i>For the periods ended June 30</i> <i>(in thousands)</i>	Three months		Nine months	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Net earnings	\$ 967	\$ 284	\$ 1,587	\$ 699
Add:				
Interest on long-term debt	31	31	92	103
Depreciation and amortization	35	27	99	73
Deferred tax expense (recovery)	(389)	-	(389)	-
Other items not involving cash	2	-	3	3
	646	342	1,392	878
Changes in non-cash working capital balances <i>[Note 13]</i>	1,104	(159)	410	(583)
Cash provided (used) by operating activities	1,750	183	1,802	295
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	-	-	-	-
Repayment of long-term debt <i>[Note 10]</i>	(12)	-	(37)	(13)
Interest on long-term debt <i>[Note 10]</i>	(31)	(31)	(92)	(103)
Issuance of share capital <i>[Note 11]</i>	36	-	46	-
Dividend payable	(961)	-	(961)	-
Payment of long-term restructuring obligation	(5)	(16)	(36)	(47)
Cash provided (used) by financing activities	(973)	(47)	(1,080)	(163)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(19)	(135)	(81)	(178)
Cash provided (used) by investing activities	(19)	(135)	(81)	(178)
Increase (decrease) in cash and cash equivalents	758	1	641	(46)
Cash and cash equivalents, beginning of the period	14	-	131	52
Cash and cash equivalents, end of the period	\$ 772	\$ 6	\$ 772	\$ 6

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
Unaudited

<i>(in thousands)</i>	Share capital	Contributed surplus	Retained Earnings/ (Deficit)	Total Shareholders' equity
Balance, December 31, 2019	\$ 2,276	\$ 182	\$ (1,837)	\$ 621
Valuation of vested options	-	2	-	2
Net earnings, nine months ended September 30, 2020	-	-	699	699
Balance, September 30, 2020	\$ 2,276	\$ 184	\$ (1,138)	\$ 1,322
Balance, December 31, 2020	\$ 2,276	\$ 186	\$ (1,153)	\$ 1,309
Reduction of stated capital	(1,153)		1,153	-
Dividends	-	-	(961)	(961)
Exercise of options	68	(19)	-	49
Net earnings, three months ended September 30, 2021	-	-	1,587	1,587
Balance, September 30, 2021	\$ 1,191	\$ 167	\$ 626	\$ 1,984

See accompanying notes

INVENTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2021 and 2020

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 protective enclosures and related products for the telecommunications, electric transmission, cable, energy 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 through the second and third quarters of each year.

2. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 21, 2021 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, 2020. 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 2020 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 otherwise.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting pronouncements that became effective during the period covered by these unaudited interim financial statements did not have a material impact on the Corporation's reporting. Likewise, accounting pronouncements issued, but not effective until after September 30, 2021, are not expected to have a material impact on the Corporation's financial statements.

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 2021	December 31 2020
Trade receivables	\$ 1,448	\$ 623

At September 30, 2021, based on management's review, no provision for doubtful accounts was required (2020 - \$3). The Corporation did not incur any credit losses for the three-month period ended September 30, 2021. A credit loss of \$37 was recorded in the twelve-month period ended December 31, 2020.

7. INVENTORIES

<i>As at</i> <i>(in thousands)</i>	September 30 2021	December 31 2020
Raw materials	\$ 984	\$ 622
Work-in-progress	126	-
Finished goods	103	30
	\$ 1,213	\$ 652

For the three months ended September 30, 2021, the Corporation expensed inventory costs of \$2,313 (2020 - \$1,181) through cost of sales. At September 30, 2021, the provision for net realizable value was \$92 (December 31, 2020 - \$27).

INVENTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2021 and 2020

Unaudited

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% (2020 – prime plus 1.75%). At September 30, 2021, an amount of \$850 under this facility was available, of which \$Nil was drawn (December 31, 2020 - \$1,016 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. Although containing general performance conditions, the credit facility agreement does not contain any financial covenants that must be periodically tested. 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 2021	December 31 2020
Trade payables and other accrued expenses	\$ 904	\$ 148
Payroll accruals	157	94
Government remittances payable	61	26
	<u>\$ 1,122</u>	<u>\$ 268</u>

10. LONG-TERM DEBT

<i>As at</i> <i>(in thousands)</i>	September 30 2021	December 31 2020
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.	\$ 2,113	\$ 2,151
Unamortized transaction costs	(21)	(22)
	<u>2,092</u>	<u>2,129</u>
Less: current portion	51	50
Long-term portion of long-term debt	<u>\$ 2,041</u>	<u>\$ 2,079</u>

Effective April 10, 2020, the Corporation selected a 14-year fixed interest rate term bearing an interest rate of 5.75% with a blended monthly payment of \$14. Prior to April 10, 2020, the interest rate was 7.0% with a monthly blended principal and interest installment 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 obligations pertaining to this agreement.

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, 2021		Twelve months ended December 31, 2020	
	Number of shares	Amount	Number of shares	Amount
Outstanding, beginning of period	4,405,145	\$ 2,276	4,405,145	\$ 2,276
Reduction of stated capital	-	(1,153)	-	-
Options exercised	400,000	68	-	-
Outstanding, end of period	<u>4,805,145</u>	<u>\$ 1,191</u>	<u>4,405,145</u>	<u>\$ 2,276</u>

A corporation, wholly owned by a group consisting 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 63% of the outstanding common shares of the Corporation.

INVENTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2021 and 2020
Unaudited

Reduction of stated capital

At the Corporation's annual general meeting held on August 18, 2021, shareholder approval was received to reduce the stated capital of the Corporation by \$1,153. The purpose of reducing the stated capital of the Common Shares is to increase the difference between the realizable value of the Corporation's assets and the aggregate of the Corporation's liabilities and the stated capital of the Common Shares, thereby providing the Corporation with additional financial flexibility.

Stock option plan

The Corporation maintains a stock option plan for the benefit of employees and directors. At September 30, 2021, there were no stock options outstanding (December 31, 2020 – 400,000). In the nine months ended September 30, 2021, there were 300,000 options exercised at a price of \$0.10 per share and 100,000 options exercised at a price of \$0.165 per share. In addition, contributed surplus of \$21 was reclassified to share capital in relation to the option expense previously recognized on the exercised options.

Dividend

On September 22, 2021, the Corporation's Board of Directors passed a resolution declaring a special dividend of \$0.20 per share payable on November 3, 2021.

12. EARNING PER SHARE

<i>For the periods ended September 30</i> <i>(in thousands, except per share amounts)</i>	Three months		Nine months	
	2021	2020	2021	2020
Net earnings	\$ 967	\$ 284	\$ 1,587	\$ 699
Weighted average common shares outstanding	4,641	4,405	4,550	4,405
Basic and diluted earnings per share	20.8¢	6.5¢	34.9¢	15.9¢

For the three-month periods ended September 30, 2021 and 2020, 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	
	2021	2020	2021	2020
Changes in non-cash working capital balances:				
Trade and other receivables	\$ (208)	\$ (141)	\$ (826)	\$ (642)
Inventories	391	456	(560)	58
Other current assets	(17)	(17)	(19)	(31)
Trade and other payables	938	(457)	1,815	32
	\$ 1,104	\$ (159)	\$ 410	\$ (583)

14. RELATED PARTY TRANSACTIONS

Three members of Inventronics' senior management team, as a group, control the corporation that owns approximately 63% 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, 2021, the Corporation expensed \$253 (2020 - \$346) and \$766 (2020 - \$609), 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, 2021, the Corporation expensed \$3 (2020 - \$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 significant decline in revenues at certain times in 2020, which qualified the Corporation for government assistance through the Canada Emergency Wage Subsidy program in the amount of \$363 to September 30, 2020. The Corporation has not qualified for any government assistance throughout 2021.