



INVENTRONICS LIMITED

2022 THIRD QUARTER

UNAUDITED FINANCIAL STATEMENTS

For the periods ended September 30, 2022 and 2021

INVENTRONICS LIMITED

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

<i>As at</i> <i>(in thousands)</i>	September 30 2022 Unaudited	December 31 2021 Audited
ASSETS		
Current		
Cash	\$ 1,591	\$ 216
Trade and other receivables <i>[Note 6]</i>	1,479	852
Inventories <i>[Note 7]</i>	1,950	1,324
Other current assets	65	27
	5,085	2,419
Non-current		
Property, plant and equipment	2,383	2,298
Deferred tax assets	-	511
	-	511
Total Assets	\$ 7,468	\$ 5,228
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables <i>[Note 9]</i>	\$ 973	\$ 840
Dividend payable <i>[Note 11]</i>	1,693	-
Income tax payable	162	-
Current portion of long-term debt <i>[Note 10]</i>	57	52
	2,885	892
Non-current liabilities		
Long-term debt <i>[Note 10]</i>	2,004	2,049
Total Liabilities	4,889	2,941
Shareholders' equity		
Share capital <i>[Note 11]</i>	1,246	1,191
Contributed surplus	257	167
Retained earnings	1,076	929
Total Shareholders' Equity	2,579	2,287
Total Liabilities and Shareholders' Equity	\$ 7,468	\$ 5,228

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	
	2022	2021	2022	2021
Revenue	\$ 3,400	\$ 3,348	\$ 11,374	\$ 7,924
Cost of sales <i>[Note 7]</i>	2,462	2,622	7,878	5,992
Gross profit	938	726	3,496	1,932
Selling and administration expense	177	118	891	641
Interest expense	27	31	88	97
Earnings, before income tax	734	577	2,517	1,193
Income tax	198	(389)	676	(394)
Net earnings	\$ 536	\$ 967	\$ 1,841	\$ 1,587
Basic and diluted earnings per share <i>[Note 12]</i>	11.1¢	20.8¢	38.3¢	34.9¢

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	
	2022	2021	2022	2021
OPERATING ACTIVITIES				
Net earnings	\$ 536	\$ 967	\$ 1,841	\$ 1,587
Add:				
Interest on long-term debt	27	31	86	92
Depreciation	34	35	99	99
Option amortization	45	2	90	3
Deferred income tax	31	(389)	511	(389)
	673	646	2,627	1,392
Changes in non-cash working capital balances <i>[Note 13]</i>	297	143	(996)	(551)
Cash provided (used) by operating activities	970	789	1,631	841
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	-	-	-	-
Repayment of long-term debt <i>[Note 10]</i>	(14)	(12)	(40)	(37)
Interest on long-term debt <i>[Note 10]</i>	(27)	(31)	(86)	(92)
Issuance of share capital <i>[Note 11]</i>	54	36	54	46
Payment of long-term restructuring obligation	-	(5)	-	(36)
Cash provided (used) by financing activities	13	(12)	(72)	(119)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(76)	(19)	(184)	(81)
Cash provided (used) by investing activities	(76)	(19)	(184)	(81)
Increase (decrease) in cash and cash equivalents	907	758	1,375	641
Cash and cash equivalents, beginning of year	684	14	216	131
Cash and cash equivalents, end of the year	\$ 1,591	\$ 772	\$ 1,591	\$ 772

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, 2020	\$ 2,276	\$ 186	\$ (1,153)	\$ 1,309
Reduction of stated capital	(1,153)		1,153	-
Dividends	-	-	(961)	(961)
Options	68	(19)	-	49
Net earnings for the nine months ended September 30, 2021	-	-	1,587	1,587
Balance, September 30, 2021	\$ 1,191	\$ 167	\$ 626	\$ 1,984
Balance, December 31, 2021	\$ 1,191	\$ 167	\$ 929	\$ 2,287
Options	55	90	-	145
Dividends	-	-	(1,693)	(1,693)
Net earnings for the nine months ended September 30, 2022	-	-	1,841	1,841
Balance, September 30, 2022	\$ 1,246	\$ 257	\$ 1,076	\$ 2,579

See accompanying notes

INVENTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2022 and 2021

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, cable, power distribution, energy and other industries in North America.

2. DATE OF AUTHORIZATION FOR ISSUE

The Corporation's financial statements were authorized for issue on October 27, 2022 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, 2021. As such, these interim financial statements do not include all disclosures with respect to the requirements under IFRS for annual financial statements and thus should be read in conjunction with the Corporation's 2021 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 profits. All amounts in these financial statements are reported in Canadian dollars unless specifically stated to the contrary.

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, 2022, 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, 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 2022	December 31 2021
Trade receivables	\$ 1,479	\$ 852

At September 30, 2022, based on management's review, no provision for doubtful accounts was recorded (2021 - \$Nil).

7. INVENTORIES

<i>As at</i> <i>(in thousands)</i>	September 30 2022	December 31 2021
Raw materials	\$ 1,562	\$ 1,021
Work-in-progress	274	29
Finished goods	114	274
	\$ 1,950	\$ 1,324

For the three months ended September 30, 2022, the Corporation expensed inventory costs of \$1,966 (2021 - \$2,313) through cost of sales. At September 30, 2022, the provision for net realizable value was \$131 (December 31, 2021 - \$111).

INVENTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2022 and 2021

Unaudited

8. BANK CREDIT FACILITIES

The Corporation has a demand operating credit facility in the form of an overdraft lending account which provided an authorized limit of \$1,200 with an interest rate of prime plus 0.90% (2021 – Limit of \$850 at prime plus 1.75%). At September 30, 2022, an amount of \$1,200 under this facility was available, of which \$Nil was drawn (December 31, 2021 - \$850 available and \$Nil was drawn). The credit facility does not contain any financial covenants and is secured by a general security agreement over accounts receivable and inventory. The Corporation is in compliance with all contractual obligations pertaining to its demand operating credit facility.

9. TRADE AND OTHER PAYABLES

<i>As at</i> <i>(in thousands)</i>	September 30 2022	December 31 2021
Trade payables and other accrued expenses	\$ 736	\$ 685
Payroll accruals	211	113
Government remittances payable	26	42
	<u>\$ 973</u>	<u>\$ 840</u>

10. LONG-TERM DEBT

<i>As at</i> <i>(in thousands)</i>	September 30 2022	December 31 2021
Fixed rate mortgage bearing interest of 5.25%; maturing in 2043; 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.	\$ 2,061	\$ 2,101
	2,061	2,101
Less: current portion	57	52
Long-term portion of long-term debt	<u>\$ 2,004</u>	<u>\$ 2,049</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. Effective May 10, 2022, the interest rate was reduced at the request of the Corporation to 5.25%. 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>	Three months ended September 30, 2022		Twelve months ended December 31, 2021	
	Number of shares	Amount	Number of shares	Amount
Outstanding, beginning of period	4,805,145	\$ 1,191	4,405,145	\$ 2,276
Reduction of stated capital	-	-	-	(1,153)
Options exercised	33,000	54	400,000	68
Outstanding, end of period	<u>4,838,145</u>	<u>\$ 1,246</u>	<u>4,805,145</u>	<u>\$ 1,191</u>

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NOTES TO THE FINANCIAL STATEMENTS

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Unaudited

Stock option plan

The Corporation maintains a stock option plan for the benefit of employees and directors. At September 30, 2022, there were 417,000 stock options granted and outstanding (December 31, 2021 – Nil). In the first quarter of 2022, there were 450,000 options granted to senior management and directors at an exercise price of \$1.65 per share and vesting over the next two years. In the third quarter of 2022, 33,000 options were exercised at the \$1.65 per share price.

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.

12. EARNING PER SHARE

<i>For the periods ended September 30</i> <i>(in thousands, except per share amounts)</i>	Three months		Nine months	
	2022	2021	2022	2021
Net earnings	\$ 536	\$ 967	\$ 1,841	\$ 1,587
Weighted average common shares outstanding	4,821	4,641	4,811	4,550
Basic and diluted earnings per share	11.1¢	20.8¢	38.3¢	34.9¢

For the periods ended September 30, 2022 and 2021, 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	
	2022	2021	2022	2021
Changes in non-cash working capital balances:				
Trade and other receivables	\$ 565	\$ (208)	\$ (633)	\$ (826)
Inventories	(228)	391	(626)	(560)
Other current assets	(9)	(17)	(38)	(19)
Trade and other payables	(31)	(23)	301	854
	\$ 297	\$ 143	\$ (996)	\$ (551)

14. RELATED PARTY TRANSACTIONS

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, 2022, the Corporation expensed \$137 (2021 - \$253) and \$962 (2021 - \$766), respectively, related to those compensation arrangements.