



# **INVENTRONICS LIMITED**

**2023 THIRD QUARTER**

**UNAUDITED FINANCIAL STATEMENTS**

**For the periods ended September 30, 2023 and 2022**

# INVENTRONICS LIMITED

## FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION

<i>As at</i> <i>(in thousands)</i>	September 30 2023 Unaudited	December 31 2022 Audited
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,304	\$ 379
Trade and other receivables <i>[Note 6]</i>	428	1,264
Inventories <i>[Note 7]</i>	1,124	1,856
Other current assets	65	37
	2,921	3,536
<b>Non-current</b>		
Property, plant and equipment	3,332	2,491
<b>Total Assets</b>	\$ 6,253	\$ 6,027
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables <i>[Note 9]</i>	\$ 528	\$ 774
Income taxes payable	68	310
Current portion of long-term debt <i>[Note 10]</i>	172	58
	768	1,142
<b>Non-current liabilities</b>		
Deferred tax liabilities	4	4
Long-term debt <i>[Note 10]</i>	2,481	1,989
<b>Total Liabilities</b>	3,253	3,135
<b>Shareholders' equity</b>		
Share capital <i>[Note 11]</i>	1,337	1,266
Contributed surplus	343	298
Retained earnings	1,320	1,328
<b>Total Shareholders' Equity</b>	3,000	2,892
<b>Total Liabilities and Shareholders' Equity</b>	\$ 6,253	\$ 6,027

See accompanying notes

**INVENTRONICS LIMITED**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
Unaudited

<i>For the three months ended September 30</i> <i>(in thousands, except per share amounts)</i>	Three months		Nine months	
	2023	2022	2023	2022
Revenue	\$ 1,463	\$ 3,400	\$ 7,900	\$ 11,374
Cost of sales <i>[Note 7]</i>	1,415	2,462	6,113	7,878
Gross profit	48	938	1,787	3,496
Selling and administration expense	150	177	907	891
Interest expense	27	27	81	88
Earnings (loss), before income tax	(129)	734	799	2,517
Income tax expense (recovery)	(35)	198	223	676
<b>Net earnings (loss) and comprehensive income (loss)</b>	<b>\$ (94)</b>	<b>\$ 536</b>	<b>\$ 576</b>	<b>\$ 1,841</b>
Basic earnings per share <i>[Note 12]</i>	(1.9)¢	11.1¢	11.8¢	38.3¢
Diluted earnings per share <i>[Note 12]</i>	(1.9)¢	10.7¢	11.5¢	37.5¢

See accompanying notes

**INVENTRONICS LIMITED**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS**  
Unaudited

<i>For the periods ended September 30</i> <i>(in thousands)</i>	<b>Three months</b>		<b>Nine months</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss)	\$ (94)	\$ 536	\$ 576	\$ 1,841
Add:				
Interest on long-term debt	26	27	80	86
Depreciation	50	34	139	99
Deferred income tax	-	31	-	511
Other items not involving cash	20	45	62	90
	2	673	857	2,627
Changes in non-cash working capital balances <i>[Note 13]</i>	839	297	1,052	(996)
Cash provided by operating activities	841	970	1,909	1,631
<b>FINANCING ACTIVITIES</b>				
Repayment of long-term debt <i>[Note 10]</i>	(16)	(14)	(44)	(40)
Issuance of long-term debt <i>[Note 8]</i>	650	-	650	-
Interest on long-term debt	(26)	(27)	(80)	(86)
Dividends paid	-	-	(584)	-
Issuance of share capital <i>[Note 11]</i>	-	54	54	54
Cash (used) by financing activities	608	13	(4)	(72)
<b>INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(152)	(76)	(980)	(184)
Cash (used) by investing activities	(152)	(76)	(980)	(184)
Increase (decrease) in cash and cash equivalents	1,297	907	925	1,375
Cash and cash equivalents, beginning of the period	7	684	379	216
Cash and cash equivalents, end of the period	\$ 1,304	\$ 1,591	\$ 1,304	\$ 1,591

See accompanying notes

**INVENTRONICS LIMITED**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY**  
Unaudited

<i>(in thousands)</i>	Share capital	Contributed surplus	Retained Earnings	Total Shareholders ' equity
Balance, December 31, 2021	\$ 1,191	\$ 167	\$ 929	\$ 2,287
Options	55	90	-	145
Dividends paid	-	-	(1,693)	(1,693)
Net earnings for the nine months ended Sept 30, 2022	-	-	1,841	1,841
Balance, September 30, 2022	\$ 1,246	\$ 257	\$ 1,077	\$ 2,580
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Balance, December 31, 2022	\$ 1,266	\$ 298	\$ 1,328	\$ 2,892
Exercise of options	71	(17)	-	54
Option expense	-	62	-	62
Dividends paid	-	-	(584)	(584)
Net earnings for the nine months ended Sept 30, 2023	-	-	576	576
Balance, September 30, 2023	\$ 1,337	\$ 343	\$ 1,320	\$ 3,000

See accompanying notes

# INVENTRONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2023 and 2022

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 November 28, 2023 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, 2022. 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 2022 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. 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, 2023, 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 2023	December 31 2022
Trade receivables	\$ 428	\$ 1,264

At June 30, 2023, based on management's review, no provision for doubtful accounts was recorded (2022 - \$Nil).

### 7. INVENTORIES

<i>As at</i> <i>(in thousands)</i>	September 30 2023	December 31 2022
Raw materials	\$ 920	\$ 1,530
Work-in-progress	47	20
Finished goods	157	306
	<u>\$ 1,124</u>	<u>\$ 1,856</u>

For the nine months ended September 30, 2023, the Corporation expensed inventory costs of \$1,049 (September 30, 2022 - \$2,055) through cost of sales. At September 30, 2023, the provision for net realizable value was \$44 (December 31, 2022 - \$68).

# INVENTRONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2023 and 2022

Unaudited

### 8. BANK CREDIT FACILITIES

The Corporation maintains 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% (December 31, 2022 – prime plus 0.90%) for an effective rate of 8.1% (December 31, 2022 – 7.35%). At September 30, 2023, an amount of \$1,200 under this facility was available, of which \$Nil was drawn (September 30, 2022 - \$1,200 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 also has a Master Equipment Lease Line in the amount of \$3,000, to be used when necessary to finance equipment additions. At September 30, 2023 an amount of \$650 was drawn with a fixed interest rate of 7.5% for 60 months (September 30, 2022 - \$Nil was drawn). The Corporation is in compliance with all obligations pertaining to its credit facilities.

### 9. TRADE AND OTHER PAYABLES

<i>As at</i> <i>(in thousands)</i>	<b>September 30</b> <b>2023</b>	<b>December 31</b> <b>2022</b>
Trade payables and other accrued expenses	\$ 708	\$ 619
Payroll accruals	220	150
Government remittances payable	24	5
	<b>\$ 952</b>	<b>\$ 774</b>

### 10. LONG-TERM DEBT

<i>As at</i> <i>(in thousands)</i>	<b>September 30</b> <b>2023</b>	<b>December 31</b> <b>2022</b>
Fixed rate mortgage bearing interest of 5.25% until April 10, 2034; 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.	\$ 2,003	\$ 2,047
Fixed rate equipment loan bearing interest at 7.5% until September 25, 2028; repayable monthly in blended principal and interest installments of \$13; secured by a first claim on the finance13d equipment.	650	-
	<b>2,653</b>	<b>2,047</b>
Less: current portion	172	58
Long-term portion of long-term debt	<b>\$ 2,481</b>	<b>\$ 1,989</b>

Although containing general performance conditions, the loan agreements do not contain any financial covenants that must be periodically tested. The Corporation is in compliance with all obligations pertaining to these agreements.

### 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>	<b>Three months ended</b> <b>September 30, 2023</b>		<b>Twelve months ended</b> <b>December 31, 2022</b>	
	Number of shares	Amount	Number of shares	Amount
Outstanding, beginning of period	4,871,145	\$ 1,337	4,805,145	\$ 1,191
Options exercised	-	-	33,000	75
Outstanding, end of period	<b>4,871,145</b>	<b>\$ 1,337</b>	<b>4,805,145</b>	<b>\$ 1,266</b>

#### **Stock option plan**

Inventronics maintains a stock option plan providing the Corporation the ability to grant options to employees and directors to purchase one common share of the Corporation per option. At September 30, 2023, there were 384,000 options outstanding with an exercise price of \$1.65 per share (December 31, 2022 – 417,000). In the first quarter of 2023, there were 33,000 options exercised, which contributed to share capital \$54,000 plus \$17,000 of reclassified contributed surplus in relation to the option

# INVENTRONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the periods ended September 30, 2023 and 2022

Unaudited

expense previously recognized. There was no activity related to the Corporation's stock option plan in the third quarter of 2023 or since September 30, 2023.

### 12. EARNINGS PER SHARE

<i>For the periods ended September 30</i> <i>(dollar amounts in thousands, except per share amounts)</i>	Three months		Nine months	
	2023	2022	2023	2022
Net earnings (loss)	\$ (94)	\$ 536	\$ 576	\$ 1,841
Weighted average common shares outstanding	4,871,145	4,821,286	4,860,328	4,810,605
Basic earnings per share	(1.9)¢	11.1¢	11.8¢	38.3¢
Diluted earnings per share	(1.9)¢	10.7¢	11.5¢	37.5¢

### 13. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the periods ended September 30</i> <i>(in thousands)</i>	Three months		Nine months	
	2023	2022	2023	2022
Changes in non-cash working capital balances:				
Trade and other receivables	\$ 981	\$ 565	\$ 835	\$ (633)
Inventories	372	(228)	732	(626)
Other current assets	7	(9)	(28)	(38)
Trade and other payables	(424)	(199)	(245)	133
Income tax payable	(97)	168	(242)	168
	\$ 839	\$ 297	\$ 1,052	\$ (996)

### 14. RELATED PARTY TRANSACTIONS

The four-person 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 six months ended September 30, 2023, the Corporation expensed \$165 (2022 - \$137) and \$947 (2022 - \$962), respectively, related to those compensation arrangements.