INVENTRONICS LIMITED

2021 FIRST QUARTER FINANCIAL REPORT

UNAUDITED FINANCIAL STATEMENTS

For the periods ended March 31, 2021 and 2020

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION

As at *(in thousands)*	March 31 2021 Unaudited	December 31 2020 Audited
ASSETS		
Current		
Cash	$ -	$ 131
Trade and other receivables *[Note 6]*	1,150	623
Inventories *[Note 7]*	1,565	652
Other current assets	87	26
	2,802	1,432
Non-current		
Property, plant and equipment	2,330	2,310
Total Assets	$ 5,132	$ 3,742
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness *[Note 8]*	$ 18	$ -
Trade and other payables *[Note 9]*	1,477	268
Restructuring obligation	21	36
Current portion of long-term debt *[Note 10]*	50	50
	1,566	354
Non-current liabilities		
Long-term debt *[Note 10]*	2,066	2,079
Total Liabilities	3,632	2,433
Shareholders' equity		
Share capital *[Note 11]*	2,286	2,276
Contributed surplus	186	186
Accumulated deficit	(972)	(1,153)
Total Shareholders' Equity	1,500	1,309
Total Liabilities and Shareholders' Equity	$ 5,132	$ 3,742

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
Unaudited

For the three months ended March 31 ***(in thousands, except per share amounts)***	**2021**	**2020**
Revenue	$ 1,800	$ 1,044
Cost of sales *[Note 7]*	1,365	820
Gross profit	435	224
Selling and administration expense	222	137
Interest expense	32	43
Earnings, before government assistance	181	44
Government assistance	-	-
Net earnings	$ 181	$ 44
Basic and diluted earnings per share *[Note 12]*	4.0¢	1.0¢

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
Unaudited

For the three months ended March 31 ***(in thousands)***	**2021**	**2020**
OPERATING ACTIVITIES		
Net earnings	$ 181	$ 44
Add:		
Interest on long-term debt	31	38
Depreciation and amortization	30	23
Other items not involving cash	-	2
	242	107
Changes in non-cash working capital balances *[Note 13]*	(292)	(487)
Cash provided (used) by operating activities	(50)	(380)
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	18	420
Repayment of long-term debt *[Note 10]*	(12)	(10)
Interest on long-term debt *[Note 10]*	(31)	(38)
Issuance of share capital *[Note 11]*	10	-
Payment of long term restructuring obligation	(16)	(15)
Cash provided (used) by financing activities	(31)	357
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(50)	(29)
Cash provided (used) by investing activities	(50)	(29)
Increase (Decrease) in cash and cash equivalents	(131)	(52)
Cash and cash equivalents, beginning of year	131	52
Cash and cash equivalents, end of the year	$ -	$ -

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
Unaudited

(in thousands)	Share capital	Contributed surplus	Accumulated Deficit	Total Shareholders' equity
Balance, December 31, 2019	$ 2,276	$ 182	$ (1,837)	$ 621
Valuation of vested options	-	2	-	2
Net earnings for the three months ended March 31, 2020	-	-	44	44
Balance, March 31, 2020	$ 2,276	$ 184	$ (1,793)	$ 667
Balance, December 31, 2020	$ 2,276	$ 186	$ (1,153)	$ 1,309
Exercise of options	10	-	-	10
Net earnings for the three months ended March 31, 2021	-	-	181	181
Balance, March 31, 2021	$ 2,286	$ 186	$ (972)	$ 1,500

See accompanying notes

INVENTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended March 31, 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 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 mid-first quarter and continuing through the second quarter, a slowdown through the early part of the third quarter as summer vacations take effect, and 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 May 18, 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. 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

Accounting pronouncements that became effective during the period covered by the 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 March 31, 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

As at *(in thousands)*	**March 31 2021**	**December 31 2020**
Trade receivables	$ 1,150	$ 623

At March 31, 2021, based on management's review, a provision for doubtful accounts continued to be carried in the amount of $6 (2020 - $Nil). The Corporation did not incur any credit losses for the three month period ended March 31, 2021. A credit loss of $37 was recorded in the twelve month period ended December 31, 2020 (2019 - $Nil).

7. INVENTORIES

As at *(in thousands)*	**March 31 2021**	**December 31 2020**
Raw materials	$ 1,146	$ 622
Work-in-progress	75	-
Finished goods	344	30
	$ 1,565	$ 652

For the three months ended March 31, 2021, the Corporation expensed inventory costs of $1,077 (2020 - $604) through cost of sales. At March 31, 2021, the provision for net realizable value was $42 (December 31, 2020 - $27).

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 $1,100 with an interest rate of prime plus1.75% (2020 – prime plus 1.75%). At March 31, 2021, an amount of $1,100 under this facility was available, of which $18 was drawn (December 31, 2020 - $1,016 available and $Nil was drawn).The credit facility is margined on the Corporation's accounts receivable and inventory balances and secured by a general security agreement over those assets. The Corporation is in compliance with all covenants and obligations pertaining to its demand operating credit facility.

9. TRADE AND OTHER PAYABLES

As at *(in thousands)*	**March 31 2021**	**December 31 2020**
Trade payables and other accrued expenses	$ 1,183	$ 148
Payroll accruals	244	94
Government remittances payable	50	26
	$ 1,477	$ 268

10. LONG-TERM DEBT

As at *(in thousands)*	**March 31 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**.**	$ 2,138	$ 2,151
Unamortized transaction costs	(22)	(22)
	2,116	2,129
Less: current portion	50	50
Long-term portion of long-term debt	$ 2,066	$ 2,079

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:

For the *(dollar amounts in thousands)*	**Three months ended March 31, 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
Options exercised	100,000	10		
Outstanding, end of period	4,505,145	$ 2,286	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 67% 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 March 31, 2021, there were 300,000 stock options granted and outstanding (December 31, 2020 – 400,000). In the first quarter of 2021, there were 100,000 options exercised at a price of $0.10 per share.

12. EARNING PER SHARE

For the three months ended March 31 *(in thousands, except per share amounts)*	**2021**	**2020**
Net earnings	$ 181	$ 44
Weighted average common shares outstanding	4,505	4,405
Basic and diluted earnings per share	4.0¢	1.0¢

For the three month period ended March 31, 2021 and 2020, the calculation of diluted earnings per share does not differ materially from basic earnings per share.

13. SUPPLEMENTARY CASH FLOW INFORMATION

For the three months ended March 31 *(in thousands)*	**2021**	**2020**
Changes in non-cash working capital balances:		
Trade and other receivables	$ (527)	$ (342)
Inventories	(913)	(345)
Other current assets	(61)	(24)
Trade and other payables	1,209	224
	$ (292)	$ (487)

14. RELATED PARTY TRANSACTIONS

Three members of Inventronics' senior management team, as a group, control the corporation that owns approximately 67% 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 months ended March 31, 2021, the Corporation expensed $138 (2020 - $114) 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 March 31, 2021, the Corporation expensed $3 (2020 - $3) for this fee.