INVENTRONICS LIMITED

2022 SECOND QUARTER

UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2022 and 2021

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION

As at *(in thousands)*	June 30 2022 Unaudited	December 31 2021 Audited
ASSETS		
Current		
Cash	$ 684	$ 216
Trade and other receivables *[Note 6]*	2,050	852
Inventories *[Note 7]*	1,722	1,324
Other current assets	56	27
	4,512	2,419
Non-current		
Property, plant and equipment	2,341	2,298
Deferred tax assets	31	511
Total Assets	$ 6,884	$ 5,228
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables *[Note 9]*	$ 1,172	$ 840
Current portion of long-term debt *[Note 10]*	57	52
	1,229	892
Non-current liabilities		
Long-term debt *[Note 10]*	2,018	2,049
Total Liabilities	3,247	2,941
Shareholders' equity		
Share capital *[Note 11]*	1,191	1,191
Contributed surplus	212	167
Retained earnings	2,234	929
Total Shareholders' Equity	3,637	2,287
Total Liabilities and Shareholders' Equity	$ 6,884	$ 5,228

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
Unaudited

For the periods ended June 30 ***(in thousands, except per share amounts)***		**Three months**		**Six months**
	2022	**2021**	**2022**	**2021**
Revenue	$ 4,219	$ 2,776	$ 7,974	$ 4,576
Cost of sales *[Note 7]*	2,829	2,005	5,416	3,370
Gross profit	1,390	771	2,558	1,206
Selling and administration expense	265	301	715	523
Interest expense	30	34	61	66
Earnings, before income tax	1,095	436	1,782	617
Income tax	292	(4)	477	(4)
Net earnings	$ 803	$ 440	$ 1,305	$ 621
Basic and diluted earnings per share *[Note 12]*	16.7¢	9.8¢	27.2¢	13.8¢

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
Unaudited

For the periods ended June 30 *(in thousands)*	**Three months 2022**	**2021**	**Six months 2022**	**2021**
OPERATING ACTIVITIES				
Net earnings	$ 803	$ 440	$ 1,305	$ 621
Add:				
Interest on long-term debt	28	31	58	62
Depreciation and amortization	34	34	65	64
Option expense	45	-	45	-
Deferred income tax	295	-	480	-
	1,205	505	1,953	747
Changes in non-cash working capital balances *[Note 13]*	(340)	(403)	(1,293)	(695)
Cash provided (used) by operating activities	865	102	660	52
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	(118)	(18)	-	-
Repayment of long-term debt *[Note 10]*	(13)	(12)	(26)	(24)
Interest on long-term debt *[Note 10]*	(28)	(31)	(58)	(62)
Issuance of share capital *[Note 11]*	-	-	-	10
Payment of long-term restructuring obligation	-	(15)	-	(31)
Cash provided (used) by financing activities	(159)	(76)	(84)	(107)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(22)	(12)	(108)	(62)
Cash provided (used) by investing activities	(22)	(12)	(108)	(62)
Increase (decrease) in cash and cash equivalents	684	14	468	(117)
Cash and cash equivalents, beginning of year	-	-	216	131
Cash and cash equivalents, end of the year	$ 684	$ 14	$ 684	$ 14

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, 2020	$ 2,276	$ 186	$ (1,153)	$ 1,309
Exercise of options	10	-	-	10
Net earnings for the six months ended June 30, 2021	-	-	621	621
Balance, June 30, 2021	$ 2,286	$ 186	$ (532)	$ 1,940
Balance, December 31, 2021	$ 1,191	$ 167	$ 929	$ 2,287
Grant of options	-	45	-	45
Net earnings for the six months ended June 30, 2022	-	-	1,305	1,305
Balance, June 30, 2022	$ 1,191	$ 212	$ 2,234	$ 3,637

See accompanying notes

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 August 12, 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 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 June 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

As at *(in thousands)*	**June 30 2022**	**December 31 2021**
Trade receivables	$ 2,050	$ 852

At June 30, 2022, based on management's review, no provision for doubtful accounts was recorded (2021 - $6).

7. INVENTORIES

As at *(in thousands)*	**June 30 2022**	**December 31 2021**
Raw materials	$ 1,435	$ 1,021
Work-in-progress	194	29
Finished goods	93	274
	$ 1,722	$ 1,324

For the six months ended June 30, 2022, the Corporation expensed inventory costs of $2,413 (2021 - $1,626) through cost of sales. At June 30, 2022, the provision for net realizable value was $131 (December 31, 2021 - $111).

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 $850 with an interest rate of prime plus 1.75% (2021 – Limit of $850 at prime plus 1.75%). At June 30, 2022, an amount of $850 under this facility was available, of which $Nil was drawn (December 31, 2021 - $850 available and $Nil was drawn). Subsequent to the quarter end, the demand operating credit facility was increased to a limit of $1,200 with an interest rate of prime plus 0.9%. 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

As at *(in thousands)*	**June 30 2022**	**December 31 2021**
Trade payables and other accrued expenses	$ 985	$ 685
Payroll accruals	148	113
Government remittances payable	39	42
	$ 1,172	$ 840

10. LONG-TERM DEBT

As at *(in thousands)*	**June 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.	$ 2,075	$ 2,101
	2,075	2,101
Less: current portion	57	52
Long-term portion of long-term debt	$ 2,018	$ 2,049

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:

For the *(dollar amounts in thousands)*	**Three months ended June 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	-	-	400,000	68
Outstanding, end of period	4,805,145	$ 1,191	4,805,145	$ 1,191

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 3,475,000 common shares, or 72% 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 June 30, 2022, there were 450,000 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.

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

For the periods ended June 30 *(in thousands, except per share amounts)*	**Three months 2022**	**Three months 2021**	**Six months 2022**	**Six months 2021**
Net earnings	$ 803	$ 440	$ 1,305	$ 621
Weighted average common shares outstanding	4,805	4,505	4,805	4,505
Basic and diluted earnings per share	16.7¢	9.8¢	27.2¢	13.8¢

For the periods ended June 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

For the periods ended June 30 *(in thousands)*	**Three months 2022**	**Three months 2021**	**Six months 2022**	**Six months 2021**
Changes in non-cash working capital balances:				
Trade and other receivables	$ 209	$ (91)	$(1,198)	$ (618)
Inventories	160	(38)	(399)	(951)
Other current assets	(15)	58	(28)	(2)
Trade and other payables	(694)	(332)	332	876
	$(340)	$(403)	$(1,293)	$ (695)

14. RELATED PARTY TRANSACTIONS

Three members of Inventronics' senior management team, as a group, control the corporation that owns approximately 72% 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 six months ended June 30, 2022, the Corporation expensed $432 (2021 - $380) and $824 (2021 - $513), 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 June 30, 2022, the Corporation expensed $3 (2021 - $3) for this fee.