INVENTRONICS LIMITED

2023 FIRST QUARTER

UNAUDITED FINANCIAL STATEMENTS

For the periods ended March 31, 2023 and 2022

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION

As at *(in thousands)*	**March 31 2023 Unaudited**	**December 31 2022 Audited**
ASSETS		
Current		
Cash	$ 191	$ 379
Trade and other receivables *[Note 6]*	1,679	1,264
Inventories *[Note 7]*	1,838	1,856
Other current assets	50	37
	3,758	3,536
Non-current		
Property, plant and equipment	2,989	2,491
Total Assets	$ 6,747	$ 6,027
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables *[Note 9]*	$ 1,314	$ 774
Income taxes payable	104	310
Current portion of long-term debt *[Note 10]*	59	58
	1,477	1,142
Non-current liabilities		
Deferred tax liabilities	4	4
Long-term debt *[Note 10]*	1,974	1,989
Total Liabilities	3,455	3,135
Shareholders' equity		
Share capital *[Note 11]*	1,337	1,266
Contributed surplus	302	298
Retained earnings	1,653	1,328
Total Shareholders' Equity	3,292	2,892
Total Liabilities and Shareholders' Equity	$ 6,747	$ 6,027

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)***	**2023**	**2022**
Revenue	$ 3,335	$ 3,787
Cost of sales *[Note 7]*	2,435	2,619
Gross profit	900	1,168
Selling and administration expense	425	450
Interest expense	27	31
Earnings, before income tax	448	687
Income tax	123	186
Net earnings and comprehensive income	$ 325	$ 501
Basic earnings per share *[Note 12]*	6.7¢	10.4¢
Diluted earnings per share *[Note 12]*	6.4¢	10.3¢

See accompanying notes

INVENTRONICS LIMITED
FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
Unaudited

For the three months ended March 31 ***(in thousands)***	**2023**	**2022**
OPERATING ACTIVITIES		
Net earnings	$ 325	$ 501
Add:		
Interest on long-term debt	27	30
Depreciation	55	31
Deferred income tax	-	186
Other items not involving cash	20	-
	427	748
Changes in non-cash working capital balances *[Note 13]*	(75)	(953)
Cash provided (used) by operating activities	352	(205)
FINANCING ACTIVITIES		
Increase in bank indebtedness	-	118
Repayment of long-term debt *[Note 10]*	(14)	(13)
Interest on long-term debt	(27)	(30)
Issuance of share capital	54	-
Cash provided (used) by financing activities	13	75
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(553)	(86)
Cash provided (used) by investing activities	(553)	(86)
Increase (Decrease) in cash and cash equivalents	(188)	(216)
Cash and cash equivalents, beginning of the year	379	216
Cash and cash equivalents, end of the period	$ 191	$ -

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, 2021	$ 1,191	$ 167	$ 929	$ 2,287
Net earnings for the three months ended March 31, 2022	-	-	501	501
Balance, March 31, 2022	$ 1,191	$ 167	$ 1,430	$ 2,788

Balance, December 31, 2022	$ 1,266	$ 298	$ 1,328	$ 2,892
Exercise of options	71	(17)	-	54
Option expense	-	21	-	21
Net earnings for the three months ended March 31, 2023	-	-	325	325
Balance, March 31, 2023	$ 1,337	$ 302	$ 1,653	$ 3,292

See accompanying notes

INVENTRONICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the periods ended March 31, 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, electric transmission, cable, energy and other industries in North America.

2. DATE OF AUTHORIZATION FOR ISSUE

The Corporation’s financial statements were authorized for issue on April 27, 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 March 31, 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

As at *(in thousands)*	**March 31 2023**	**December 31 2022**
Trade receivables	$ 1,679	$ 1,264

At March 31, 2023, based on management's review, no provision for doubtful accounts was recorded (2022 - $Nil).

7. INVENTORIES

As at *(in thousands)*	**March 31 2023**	**December 31 2022**
Raw materials	$ 1,400	$ 1,530
Work-in-progress	117	20
Finished goods	321	306
	$ 1,838	$ 1,856

For the three months ended March 31, 2023, the Corporation expensed inventory costs of $1,895 (March 31, 2022 - $2,110) through cost of sales. At March 31, 2023, the provision for net realizable value was $68 (December 31, 2022 - $68).

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 7.60% (December 31, 2022 – 7.35%). At March 31, 2023, an amount of $1,200 under this facility was available, of which $Nil was drawn (March 31, 2022 - $850 available and $118 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 and this line remained undrawn at March 31, 2023. The Corporation is in compliance with all obligations pertaining to its credit facilities.

9. TRADE AND OTHER PAYABLES

As at *(in thousands)*	**March 31 2023**	**December 31 2022**
Trade payables and other accrued expenses	$ 986	$ 619
Payroll accruals	312	150
Government remittances payable	16	5
	$ 1,314	$ 774

10. LONG-TERM DEBT

As at *(in thousands)*	**March 31 2023**	**December 31 2022**
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.	$ 2,033	$ 2,047
	2,033	2,047
Less: current portion	59	58
Long-term portion of long-term debt	$ 1,974	$ 1,989

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, 2023**		**Twelve months ended December 31, 2022**	
	Number of shares	Amount	Number of shares	Amount
Outstanding, beginning of period	4,838,145	$ 1,266	4,805,145	$ 1,191
Options exercised	33,000	71	33,000	75
Outstanding, end of period	4,871,145	$ 1,337	4,805,145	$ 1,266

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 March 31, 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 expense previously recognized. There has been no activity related to the Corporation's stock option plan since March 31, 2022.

12. EARNING PER SHARE

For the three months ended March 31 *(in thousands, except per share amounts)*	**2023**	**2022**
Net earnings	$ 325	$ 501
Weighted average common shares outstanding	4,849,269	4,805,145
Basic earnings per share	6.7¢	10.4¢
Diluted earnings per share	6.4¢	10.3¢

13. SUPPLEMENTARY CASH FLOW INFORMATION

For the three months ended March 31 *(in thousands)*	**2023**	**2022**
Changes in non-cash working capital balances:		
Trade and other receivables	$(415)	$(1,407)
Inventories	18	(559)
Other current assets	(13)	(13)
Trade and other payables	335	1,026
	$ (75)	$ (953)

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 quarter ended March 31, 2023, the Corporation expensed $322 (2022 - $392) related to those compensation arrangements.