

# AEP

ATLAS ENGINEERED  
PRODUCTS

**Unaudited Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2021 and 2020  
(Expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and reviewed by the Audit Committee and Board of Directors of the Company.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.



# Atlas Engineered Products Ltd.

## Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) For the three and nine months ended September 30, 2021 and 2020

(Unaudited - expressed in Canadian dollars)

	Note	Three Months Ended September 30, 2021 \$	September 30, 2020 \$	Nine Months Ended September 30, 2021 \$	September 30, 2020 \$
<b>Revenue</b>	<b>15</b>	17,563,359	9,677,692	41,101,422	24,676,476
<b>Cost of sales</b>	<b>16</b>	(12,113,355)	(7,552,880)	(30,128,469)	(19,569,812)
<b>Gross profit</b>		5,450,004	2,124,812	10,972,953	5,106,664
<b>Operating expenses</b>					
Administrative and office		358,599	369,526	1,009,918	1,509,711
Depreciation	<b>7, 8, 11</b>	312,617	362,997	948,165	1,056,195
Bad debt expense		1,919	1,688	2,671	4,921
Management fees	<b>18</b>	30,600	71,200	55,246	206,200
Professional fees		50,075	104,015	171,470	323,563
Salaries and benefits	<b>18</b>	778,928	714,338	2,438,788	2,054,867
Share-based payments	<b>14(c), 18</b>	30,378	18,230	69,824	85,798
<b>Operating profit (loss)</b>		3,886,888	482,818	6,276,871	(134,591)
Other income	<b>17</b>	6,677	3,498	14,563	16,862
Canadian emergency wage subsidy		-	287,610	-	462,660
Interest expense		(60,765)	(103,398)	(188,001)	(332,341)
Finance charge on leases	<b>12, 18</b>	(44,992)	(45,099)	(140,193)	(145,455)
Foreign exchange (loss) gain		7,308	(5,432)	(10,108)	16,958
Loss on disposal of assets		(2,124)	(21,502)	(13,087)	(18,910)
<b>Income (loss) before income tax</b>		3,792,992	598,495	5,940,045	(134,817)
<b>Income taxes</b>					
Current income tax expense		(863,086)	(114,906)	(1,240,150)	(115,561)
Deferred income tax (expense) recovery		(135,993)	(64,000)	(205,415)	127,607
		(999,079)	(178,906)	(1,445,565)	12,046
<b>Net income (loss) and comprehensive income (loss) for the period</b>		2,793,913	419,589	4,494,480	(122,771)
<b>Income (loss) per share</b>					
Basic and diluted		0.05	0.01	0.08	(0.00)
<b>Weighted average number of shares outstanding</b>					
Basic and diluted		57,725,730	57,725,730	57,725,730	56,126,635

**Atlas Engineered Products Ltd.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the three and nine months ended September 30, 2021 and 2020**  
*(Unaudited - expressed in Canadian dollars)*

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income (loss) for the period	2,793,913	419,589	4,494,480	(122,771)
Depreciation	663,633	674,550	1,956,312	2,005,983
Unrealized foreign exchange gain	-	(8,650)	-	(8,650)
Deferred tax expense (recovery)	135,993	64,001	205,415	(127,605)
Loss on disposal of assets	2,124	21,502	13,087	18,910
Share-based payments	30,379	18,230	69,825	85,798
<b>Changes in non-cash working capital items:</b>				
Accounts receivable	(983,826)	(635,523)	(3,100,731)	(1,355,329)
Inventories	526,547	(550,430)	(1,482,348)	(533,019)
Prepaid expenditures	(13,227)	(14,883)	106,746	(71,900)
Assets held for sale	24,125	-	24,125	-
Deposits	(8,155)	249	59,617	83,173
Accounts payable and accrued liabilities	(404,018)	294,928	1,542,864	160,997
Customer deposits	(115,204)	114,381	502,506	293,802
Corporate income taxes payable	612,270	274,315	989,337	(222,429)
<b>Cash provided by operations</b>	<b>3,264,554</b>	<b>672,259</b>	<b>5,381,235</b>	<b>206,960</b>
<b>Investing activities</b>				
Acquisition of equipment	(41,757)	(133,574)	(1,278,320)	(274,874)
Proceeds from disposition of equipment	31,446	10,776	34,960	36,428
Novum acquisition (Note 3)	-	(362,250)	-	(362,250)
<b>Cash used in investing activities</b>	<b>(10,311)</b>	<b>(485,048)</b>	<b>(1,243,360)</b>	<b>(600,696)</b>
<b>Financing activities</b>				
Repayment of principal lease obligations	(257,871)	(297,081)	(796,902)	(852,148)
Repayment of long-term debt	(247,624)	(558,376)	(745,208)	(1,011,490)
Proceeds from long-term debt	-	238,039	-	238,039
Repayment of bank indebtedness	-	-	-	(1,470,000)
Shares issued for cash	-	-	-	4,597,253
Cash share issue costs	-	-	-	(261,954)
<b>Cash (used in) provided by financing activities</b>	<b>(505,495)</b>	<b>(617,418)</b>	<b>(1,542,110)</b>	<b>1,239,700</b>
<b>Increase (decrease) in cash</b>	<b>2,748,748</b>	<b>(430,207)</b>	<b>2,595,765</b>	<b>845,964</b>
<b>Cash - beginning of period</b>	<b>1,664,006</b>	<b>3,033,576</b>	<b>1,816,989</b>	<b>1,757,405</b>
<b>Cash - end of period</b>	<b>4,412,754</b>	<b>2,603,369</b>	<b>4,412,754</b>	<b>2,603,369</b>
<b>Cash paid during the period for:</b>				
Interest	105,757	148,497	328,194	477,796
Income taxes	255,265	237,520	255,265	642,723

Supplemental cash flow information – Note 19

**Atlas Engineered Products Ltd.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
*(Unaudited - expressed in Canadian dollars)*

	Number of Common Shares	Share Capital	Contributed Surplus	Deficiency	Total
	(Note 14)	(Note 14)	(Note 14)		
		\$	\$	\$	\$
<b>Balance, December 31, 2019</b>	<b>46,232,596</b>	<b>14,836,346</b>	<b>1,346,747</b>	<b>(7,961,471)</b>	<b>8,221,622</b>
Shares issued pursuant to private placement	11,493,134	4,597,253	-	-	4,597,253
Less: cash share issue costs	-	(203,377)	-	-	(203,377)
Share-based payments	-	-	85,798	-	85,798
Net loss for the period	-	-	-	(122,771)	(122,771)
<b>Balance, September 30, 2020</b>	<b>57,725,730</b>	<b>19,230,222</b>	<b>1,432,545</b>	<b>(8,084,242)</b>	<b>12,578,525</b>
Share-based payments	-	-	-	-	-
Net income for the period	-	-	-	351,757	351,757
<b>Balance, December 31, 2020</b>	<b>57,725,730</b>	<b>19,230,222</b>	<b>1,432,545</b>	<b>(7,732,485)</b>	<b>12,930,282</b>
Share-based payments	-	-	69,824	-	69,824
Net income for the period	-	-	-	4,494,480	4,494,480
<b>Balance, September 30, 2021</b>	<b>57,725,730</b>	<b>19,230,222</b>	<b>1,502,369</b>	<b>(3,238,005)</b>	<b>17,494,586</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2021 and 2020**  
*(Unaudited - expressed in Canadian dollars)*

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**1. Nature of Operations**

Atlas Engineered Products Ltd. (the “Company” or “Atlas”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on January 18, 1999. Atlas Engineered Products Ltd. is a leading manufacturer of trusses, windows, wall panels, and supplier of engineered wood products. Atlas operates manufacturing and distribution facilities in British Columbia, Manitoba, and Ontario to meet the needs of residential and commercial builders.

The Company's registered office is located at 2005 Boxwood Road, Nanaimo, British Columbia V9S 5X9.

**2. Significant Accounting Policies**

**Basis of presentation**

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective for the Company's reporting for the three and nine months ended September 30, 2021 and prepared under the historical cost basis and are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

The accounts of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company continues to monitor and assess the impact of the COVID-19 pandemic on its business activities. The impact to date has been minimal compared to other industries; however there may be a material impact on the Company's financial position, results of operations, cash flows, and ability to obtain financing in future periods depending on the progress of the pandemic and any future potential lockdowns. In particular, there may be an increased risk of future goodwill and intangible asset impairments. As at November 16, 2021, all of our operations remain open and have not had to close as the Company has been deemed an essential business in all provinces that we currently operate in.

These consolidated financial statements were approved for issue by the Board of Directors on November 16, 2021.

**Basis of consolidation**

The Company's consolidated financial statements consolidate those of the parent company and all its subsidiaries as of the date that control was obtained over those subsidiaries. The Company has six subsidiaries, all located in Canada, Clinton Building Components Ltd. (“Clinton”), Satellite Building Components Ltd. (“Satellite”), Atlas Building Systems Ltd. (“ABS”) (formally Coastal Windows Ltd.), Pacer Building Components Ltd. (“Pacer”), South Central Building Systems Ltd. (“SC”), and Novum Building Components Ltd. (“Novum”). The Company owns 100% of the issued and outstanding shares of all of these subsidiaries.

All transactions and balances between the Companies are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Amounts reported in the unaudited condensed interim consolidated financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2021 and 2020**  
*(Unaudited - expressed in Canadian dollars)*

**2. Significant Accounting Policies (continued)**

**Basis of consolidation (continued)**

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

**3. Asset acquisition**

On July 20<sup>th</sup>, 2020, the Company completed an acquisition of assets from Trusstem Industries Inc. ("Trusstem") for \$428,819 consisting of \$187,250 in cash on day of closing, \$66,569 in cash thirty days after inventory verification, and \$175,000 in cash in equal monthly instalments for a term of three years at 3% interest commencing on September 1, 2020. In December of 2020, the Company entered in to a term loan with TD Canada Trust and part of those proceeds were used to pay out the remaining balance owed to Trusstem.

The Company acquired the building lease, equipment, and inventory through its wholly owned subsidiary, Novum Building Components Ltd. ("Novum"). Novum commenced operations on July 20<sup>th</sup>, 2020. Novum is located in Abbotsford, British Columbia. Novum will be manufacturing roof and floor trusses and supplying engineered wood products which aligns with the core business of the Company.

With this location the Company gains access to the Lower Mainland and Okanagan areas in BC.

In accordance with IFRS 3, the Novum acquisition will be accounted for as a business combination. The purchase price allocation has been estimated as follows:

<b>Category</b>	<b>\$</b>
Cash	428,819
<b>Total consideration</b>	<b>428,819</b>
Inventory	66,569
Buildings and equipment	388,059
Customer relationships	175,000
Lease obligation	(200,809)
	<b>428,819</b>

The above allocation of the fair values of assets and liabilities calculations have been finalized.

The following table shows the results of the operations of Novum since the acquisition date.

	<b>Novum</b>	<b>Novum</b>
	<b>Jan 1 – Sept 30, 2021</b>	<b>July 20 – Dec 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Sales per consolidated financial statements	964,495	356,374
Income (loss) before tax	45,275	(192,771)
Income tax recovery	(7,037)	(48,193)
Net income (loss)	38,238	(144,578)

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2021 and 2020**  
*(Unaudited - expressed in Canadian dollars)*

**4. Accounts receivable**

Trade and other receivables were as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Trade accounts receivable	8,464,145	5,063,346
Other receivables	58,452	356,610
Loss allowance	(4,754)	(2,844)
	<b>8,517,843</b>	<b>5,417,112</b>

Trade and other receivables are non-interest bearing, carried at amortized cost, and impaired using the simplified approach which records impairment at the lifetime expected credit losses. During the nine months ended September 30, 2021, the estimated credit loss amounted to \$4,754 (September 30, 2020 - \$9,837).

**5. Inventories**

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Raw materials	2,457,771	1,772,506
Work in progress	224,375	106,283
Finished goods	884,272	375,491
	<b>3,566,418</b>	<b>2,254,280</b>

During the three and nine months ended September 30, 2021, \$8,415,563 and \$20,235,682 (September 30, 2020 - \$4,538,934 and \$11,583,520) in raw materials was expensed through cost of sales. It was determined that there was no requirement to write down any raw material, work in progress, or finished goods inventory during the three and nine months ended September 30, 2021.

**6. Assets held for sale**

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. The carrying value is management's estimate of its sale value and actual sale prices may differ.

As of February 2021, the Company is no longer manufacturing windows. Atlas Building Systems Ltd. ("ABS") (formally Coastal Windows Ltd.) has transitioned to wall panel manufacturing which is more aligned with the Company's core products in the wood products industry. The window production equipment and inventory has been transitioned to assets held for sale at their carrying value. The carrying value as at February 28, 2021 and September 30, 2021 was as follows:

	<b>September 30, 2021</b>	<b>February 28, 2021</b>
	<b>\$</b>	<b>\$</b>
Equipment	69,953	94,077
Inventory	170,210	170,210
	<b>240,163</b>	<b>264,287</b>

In the three and nine months ended September 30, 2021, \$2,124 was recorded as a loss on disposal of equipment as some of the window equipment was sold during the period. The Company expects to sell most of these assets in fiscal 2021.

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2021 and 2020**  
*(Unaudited - expressed in Canadian dollars)*

**7. Buildings and equipment**

	Land and Buildings	Office Furniture and Equipment	Vehicles	Production Equipment	Computer Equipment and Software	Signage and Land Improv	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Balance, December 31, 2019	6,401,616	209,782	3,119,655	4,577,209	265,736	201,611	14,775,609
Additions	265,212	7,682	185,076	12,646	42,675	30,360	543,651
Additions through business combination	-	2,140	20,116	164,994	-	-	187,250
Related party transfers	-	-	(220,440)	(24,303)	-	-	(244,743)
Disposals	-	-	(77,500)	(12,000)	-	-	(89,500)
Balance, December 31, 2020	6,666,828	219,604	3,026,907	4,718,546	308,411	231,971	15,172,267
Additions	1,341,873	19,676	146,394	1,071,802	27,765	-	2,607,510
Disposals	(1,341,229)	(9,933)	(365,298)	(186,945)	-	-	(1,903,405)
<b>Balance, September 30, 2021</b>	<b>6,667,472</b>	<b>229,347</b>	<b>2,808,003</b>	<b>5,603,403</b>	<b>336,176</b>	<b>231,971</b>	<b>15,876,372</b>
<b>Accumulated depreciation</b>							
Balance, December 31, 2019	1,669,160	115,194	1,293,665	1,726,907	216,486	131,182	5,152,594
Additions	951,189	19,900	591,259	582,241	21,177	6,897	2,172,663
Related party transfers	-	-	(220,440)	(24,303)	-	-	(244,743)
Disposals	-	-	(29,997)	(4,165)	-	-	(34,162)
Balance, December 31, 2020	2,620,349	135,094	1,634,487	2,280,680	237,663	138,079	7,046,352
Additions	738,488	12,788	343,686	385,998	17,436	5,663	1,504,059
Disposals	(1,284,846)	(1,647)	(323,031)	(61,922)	-	-	(1,671,446)
<b>Balance, September 30, 2021</b>	<b>2,073,991</b>	<b>146,235</b>	<b>1,655,142</b>	<b>2,604,756</b>	<b>255,099</b>	<b>143,742</b>	<b>6,878,965</b>
<b>Carrying amount at December 31, 2020</b>	<b>4,046,479</b>	<b>84,510</b>	<b>1,392,420</b>	<b>2,437,866</b>	<b>70,748</b>	<b>93,892</b>	<b>8,125,915</b>
<b>Carrying amount at September 30, 2021</b>	<b>4,593,481</b>	<b>83,112</b>	<b>1,152,861</b>	<b>2,998,647</b>	<b>81,077</b>	<b>88,229</b>	<b>8,997,407</b>

Depreciation for tangible assets during the three and nine months ended September 30, 2021 was \$512,881 and \$1,504,059 (September 30, 2020 - \$524,625 and \$1,556,208). During the three and nine months ended September 30, 2021, \$351,015 and \$1,008,147 (September 30, 2020 - \$352,007 and 949,788) of the depreciation was included in cost of sales.

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2021 and 2020**  
*(Unaudited - expressed in Canadian dollars)*

**7. Buildings and equipment (continued)**

The above buildings and equipment schedule includes right-of-use assets. The following summarizes those right-of-use assets and their depreciation for the periods ended September 30, 2021 and December 31, 2020.

	<b>Building</b>	<b>Office Furniture and Equipment</b>	<b>Vehicles</b>	<b>Production Equipment</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Balance, December 31, 2019	2,434,222	-	922,031	-	3,356,253
Additions	200,809	-	-	-	200,809
Disposals, net	-	-	(204,288)	-	(204,288)
Depreciation charge for the year	(856,890)	-	(300,441)	-	(1,157,331)
Balance, December 31, 2020	1,778,141	-	417,302	-	2,195,443
Additions	1,329,497	-	-	-	1,329,497
Disposals, net	(56,383)	-	(42,267)	-	(98,650)
Depreciation charge for the period	(662,534)	-	(103,430)	-	(765,964)
<b>Balance, September 30, 2021</b>	<b>2,388,721</b>	<b>-</b>	<b>271,605</b>	<b>-</b>	<b>2,660,326</b>

**8. Intangible assets**

	<b>Customer Relationships</b>	<b>Brand Certifications</b>	<b>Non-Compete Agreements</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Cost</b>				
Balance, December 31, 2019	4,039,000	1,206,000	142,000	477,000
Additions	175,000	-	-	-
Impairment	-	-	(142,000)	-
Balance, December 31, 2020	4,214,000	1,206,000	-	477,000
Additions	-	-	-	-
Impairment	-	-	-	-
<b>Balance, September 30, 2021</b>	<b>4,214,000</b>	<b>1,206,000</b>	<b>-</b>	<b>477,000</b>
<b>Accumulated Depreciation</b>				
Balance, December 31, 2019	463,502	130,180	17,745	101,681
Additions	411,188	120,612	14,196	95,400
Impairment	-	-	(31,941)	-
Balance, December 31, 2020	874,690	250,792	-	197,081
Additions	316,047	90,459	-	71,550
Impairment	-	-	-	-
<b>Balance, September 30, 2021</b>	<b>1,190,737</b>	<b>341,251</b>	<b>-</b>	<b>268,631</b>
<b>Carrying amount at December 31, 2020</b>	<b>3,339,310</b>	<b>955,208</b>	<b>-</b>	<b>279,919</b>
<b>Carrying amount at September 30, 2021</b>	<b>3,023,263</b>	<b>864,749</b>	<b>-</b>	<b>208,369</b>

As at September 30, 2021, the Company has determined that there was no impairment to the intangible assets.

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2021 and 2020**  
*(Unaudited - expressed in Canadian dollars)*

**9. Goodwill**

The following summarizes the Company's goodwill as at September 30, 2021 and December 31, 2020.

	Clinton	Satellite	Pacer	SC	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance, December 31, 2019	474,428	136,446	2,284,327	883,275	3,778,476
Additions	-	-	-	-	-
Balance, December 31, 2020	474,428	136,446	2,284,327	883,275	3,778,476
Additions	-	-	-	-	-
<b>Balance, September 30, 2021</b>	<b>474,428</b>	<b>136,446</b>	<b>2,284,327</b>	<b>883,275</b>	<b>3,778,476</b>

The Company uses the value in use method to evaluate the carrying amount of goodwill as at October 31 on an annual basis, but management still assesses for impairments indicators throughout the year. The Company has determined that there was no impairment to goodwill as at September 30, 2021.

**10. Accounts payable and accrued liabilities**

	September 30, 2021	December 31, 2020
	\$	\$
Trade accounts payable	2,478,263	1,938,610
Sales taxes payable	576,416	193,312
Salaries and vacation payable	470,089	490,840
Other accounts payable	300,344	129,512
Accrued liabilities	772,819	302,793
	<b>4,597,931</b>	<b>3,055,067</b>

**11. Intangible liability**

	Over-Market Lease Agreement	Total
	\$	\$
<b>Cost</b>		
Balance, December 31, 2019	172,000	172,000
Additions	-	-
Balance, December 31, 2020	172,000	172,000
Additions	-	-
<b>Balance, September 30, 2021</b>	<b>172,000</b>	<b>172,000</b>
<b>Accumulated Depreciation</b>		
Balance, December 31, 2019	37,271	37,271
Additions	34,404	34,404
Balance, December 31, 2020	71,675	71,675
Additions	25,803	25,803
<b>Balance, September 30, 2021</b>	<b>97,478</b>	<b>97,478</b>
<b>Carrying amount at December 31, 2020</b>	<b>100,325</b>	<b>100,325</b>
<b>Carrying amount at September 30, 2021</b>	<b>74,522</b>	<b>74,522</b>

As at September 30, 2021, the Company determined that there was no impairment to the intangible liability.

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**12. Lease obligations**

Certain buildings and equipment of the Company's are held as right-of-use assets under lease obligations. The terms and the outstanding balances of the lease obligations as at September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
	\$	\$
Building under right-of-use asset lease repayable in monthly instalments of \$24,500 inclusive of implied interest of 5.78% per annum, residual value of \$nil, maturing in December 2025 (Note 18).	1,141,018	-
Building under right-of-use asset lease repayable in monthly instalments of \$53,160 inclusive of implied interest of 6.45% per annum, residual value of \$nil, maturing November 2023.	1,257,397	1,655,286
Building under right-of-use asset lease repayable in monthly instalments of \$6,000 inclusive of implied interest of 5.2% per annum, residual value of \$nil, maturing in July 2023.	126,459	171,956
Vehicle under right-of-use asset lease repayable in monthly instalments of \$5,150 with interest of 4.4% per annum, residual value of \$2, maturing in April 2022.	35,529	79,889
Vehicle under right-of-use asset lease repayable in monthly instalments of \$2,551 with interest of 4.5% per annum, residual value of \$1, maturing September 2022	29,865	51,413
Vehicle under right-of-use asset lease repayable in monthly instalments of \$5,287 with no interest and residual value of \$1, maturing December 2022.	79,309	126,892
Vehicle under right-of-use asset lease repayable in monthly instalments of \$1,354 with interest of 4.6% per annum, residual value of \$16,500, maturing October 2021.	-	29,142
Vehicle under right-of-use asset lease repayable in monthly instalments of \$4,879 with interest of 9.1% per annum, residual value of \$51,000, maturing October 2021.	-	46,509
Building under right-of-use asset lease repayable in monthly instalments of \$22,000 inclusive of implied interest of 6.20% per annum, residual value of \$nil, maturing in January 2021 (Note 18).	-	21,888
Building under right-of-use asset lease repayable in monthly instalments of \$5,359 inclusive of implied interest of 6.45% per annum, residual value of \$nil, maturing August 2021.	-	44,149
Total lease obligation	2,669,577	2,227,124
Current portion	(997,131)	(877,228)
Non-current portion	1,672,446	1,349,896

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**12. Lease obligations (continued)**

The following is a schedule of the total lease payments made during the three and nine months ended September 30, 2021 and 2020:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	\$	\$	\$	\$
Principal payment	257,871	297,081	796,902	852,149
Interest expense	44,992	45,099	140,193	145,455
<b>Total lease payments</b>	<b>302,863</b>	<b>342,180</b>	<b>937,095</b>	<b>997,604</b>

During the nine months ended September 30, 2021 a building lease was renewed under a right-of-use asset for \$1,314,391 (September 30, 2020 – a building was acquired under a right-of-use asset lease for \$200,809).

The following is a schedule of the Company's future minimum lease payments related to the building, equipment, and vehicles under lease obligations:

	September 30, 2021
	\$
2021	290,340
2022	1,112,506
2023	910,092
2024	306,000
2025	312,000
<b>Total minimum lease payments</b>	<b>2,930,938</b>
Less: imputed interest	(261,361)
<b>Total present value of minimum lease payments</b>	<b>2,669,577</b>

During the nine months ended September 30, 2021 – the Company entered into a low value lease for office equipment for \$3,366 (September 30, 2020 – a low value lease for multiple office equipment items for \$15,816).

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**13. Long-term debt**

The long-term debt consists of the following:

	September 30, 2021	December 31, 2020
	\$	\$
BDC loan <sup>1</sup>	836,324	869,778
BDC loan <sup>2</sup>	971,520	1,098,240
Scotiabank assumed loan <sup>3</sup>	25,951	33,249
Saw financing <sup>4</sup>	104,403	198,366
TD term loan <sup>5</sup>	4,316,227	4,800,000
	6,254,425	6,999,633
Less current portion of term debt	(979,273)	(1,044,734)
<b>Total long-term portion of term debt</b>	<b>5,275,152</b>	<b>5,954,899</b>

1. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at Sept 30, 2021) repayable at approximately \$3,717 per month with maturity being June 2040. The loan was interest only payments until January 9, 2020 and is amortized over 256 months. The loan is secured by a general security interest granted by the Company, with a security on the land and building of SC.
2. A term loan with a major Canadian bank bearing interest at a floating base rate (7.64% as at Sept 30, 2021) repayable at approximately \$14,080 per month with maturity being June 2027. The loan was interest only payments until January 9, 2020 and is amortized over 100 months. The loan is secured by a general security interest granted by the Company, with a security on the equipment of SC.
3. A financing loan with a major Canadian bank bearing interest at 0.00% as at Sept 30, 2021, repayable at approximately \$811 per month with maturity being May 2024. The loan was assumed on the acquisition of SC and remaining life is amortized over 72 months. The loan is secured by a specific piece of equipment.
4. An equipment financing with a major equipment supplier, Mitek Canada Inc. bearing interest at 0.00% as at Sept 30, 2021 and repayable at principal of \$10,440 plus tax per month, amortized over 37 months with maturity July 2022. The loan is secured by a specific piece of equipment.
5. A term loan with a major Canadian bank bearing interest at a fixed rate (2.19% as at Sept 30, 2021) repayable at \$61,630.43 per month with maturity December 2027. The loan is amortized over 84 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.

The Company applies judgement in the classification of long-term and short-term debt portions. The Company assumes that the prime interest rate will remain consistent or not change materially over the next twelve months. Loan 5 of the Company's debt obligations has consistent payments and a change in the interest rate would affect the principal portion as the overall payment was set for the term. The remaining loans are either no interest loans or have fluctuating payments that would change as the interest rate changes and the principal portion of those payments would remain constant.

During December 2020, The Company signed a new credit facility agreement with TD Canada Trust. The new agreement has three facilities. The first facility was an operating line of credit and the second facility is a committed revolving facility that the Company has not used any funds. The third facility is a committed reducing term facility used to pay off other debt obligations.

The credit facility with TD Canada Trust contains two financial covenants. A total leverage ratio of less than or equal to 3.00 to 1 which is tested quarterly on a twelve-month rolling basis. This total leverage ratio steps down to less than or equal to 2.75 to 1 on December 31, 2021 and 2.50 to 1 on December 31, 2022. The second financial covenant is a fixed charge coverage ratio of greater than or equal to 1.15 to 1 to be tested quarterly on a twelve-month rolling basis. As at September 30, 2021, the Company was in compliance with their covenants.

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**14. Share capital**

**a) Authorized**

Unlimited common shares without par value.

**b) Share capital transactions**

As at September 30, 2020 there were no share capital transactions.

**c) Options**

The Company adopted a share option plan that allows for the issuance of up to 10% of the issued and outstanding shares as incentive share options to directors, officers, employees and consultants to the Company. Share options granted under the plan may be subject to vesting provisions as determined by the Board of Directors. Standard vesting provisions are in thirds every six months from the date of grant. The options are priced using the trading price at the end of the close on the date of the grant and they are exercisable within five years from the date of grant.

The Company's share options outstanding as at September 30, 2021 and December 31, 2020 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price \$
Balance as at December 31, 2019	3,085,000	0.43
Granted	-	-
Forfeited	(150,000)	0.42
Balance as at December 31, 2020	2,935,000	0.44
Granted	450,000	0.33
Forfeited	(665,000)	0.53
<b>Balance as at September 30, 2021</b>	<b>2,720,000</b>	<b>0.45</b>

The total share-based payments recorded during the three and nine months ended September 30, 2021 was \$30,378 and \$69,824 (September 30, 2020 - \$18,230 and \$85,798).

The following table summarizes information about the share options outstanding as at September 30, 2021:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years) options outstanding	Weighted exercise price of options exercisable	Number of options exercisable	Expiry date
\$0.49	1,200,000	1.10	\$0.49	1,200,000	November 8, 2022
\$0.60	450,000	1.35	\$0.60	450,000	February 5, 2023
\$0.53	95,000	1.39	\$0.53	95,000	February 21, 2023
\$0.30	525,000	2.42	\$0.30	525,000	March 3, 2024
\$0.49	100,000	4.26	\$0.49	33,333	January 4, 2026
\$0.29	350,000	4.56	\$0.29	-	April 21, 2026
\$0.45	2,720,000	1.97	\$0.47	2,303,333	

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**14. Share capital (continued)**

**c) Options (continued)**

The Black-Scholes Pricing Model was used to estimate the fair value of the share options using the following assumptions on the grant date of the options:

Issue date	Expected option life (years)	Risk free interest rate	Dividend yield	Expected volatility	Expected forfeiture rate	Weighted average fair value
November 8, 2017	5.00	1.60%	Nil	146%	0.00%	\$0.44
February 5, 2018	5.00	1.60%	Nil	132%	2.15%	\$0.47
February 21, 2018	5.00	1.60%	Nil	132%	2.15%	\$0.46
April 18, 2018	5.00	1.60%	Nil	132%	2.22%	\$0.47
March 3, 2019	5.00	1.80%	Nil	165%	25.45%	\$0.28
January 4, 2021	5.00	0.39%	Nil	127%	24.39%	\$0.42
April 21, 2021	5.00	0.94%	Nil	118%	24.26%	\$0.24

The expected volatility is based on the historic volatility and adjusted for any expected material changes to future volatility due to publicly available information. Historical volatility is based on the daily volatility from the five years prior to the grant date due to the remaining life of the options at the grant date.

**d) Warrants**

On February 6, 2020, the Company closed another private placement with one warrant issued with each common share. All warrants allow the holder to exercise the warrant for a common share of the Company at a price of \$0.60 and expire two years after they were issued. The warrants issued on October 31, 2018 and December 3, 2018 had an initial expiry term of two years after they were issued, but the TSXV has approved a one year extension to this term. Their updated expiry dates are now October 31, 2021 and December 3, 2021.

The Company's warrants outstanding as at September 30, 2021 and December 31, 2020 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price
		\$
Balance as at December 31, 2019	5,165,000	0.60
Granted	12,148,019	0.60
Forfeited	-	-
Balance as at December 31, 2020	17,313,019	0.60
Granted	-	-
Forfeited	-	-
<b>Balance as at September 30, 2021</b>	<b>17,313,019</b>	<b>0.60</b>

The total warrant reserve recorded for the three and nine months ended September 30, 2021 was \$Nil and \$Nil (September 30, 2020: \$Nil and \$Nil).

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**15. Revenue**

The Company has four distinct revenue streams: trusses, engineered wood products, windows, and walls. The Company's revenues by these revenue streams for the three and nine months ended September 30, 2021 and 2020 is as follows.

**Three months ended September 30, 2021**

	Trusses	Engineered wood products	Windows	Walls	Total
	\$	\$	\$	\$	\$
<b>Total revenue</b>	13,203,497	4,320,550	2,450	36,862	17,563,359

**Three months ended September 30, 2020**

	Trusses	Engineered wood products	Windows	Walls	Total
	\$	\$	\$	\$	\$
<b>Total revenue</b>	7,591,910	1,742,623	331,269	11,890	9,677,692

**Nine months ended September 30, 2021**

	Trusses	Engineered wood products	Windows	Walls	Total
	\$	\$	\$	\$	\$
<b>Total revenue</b>	31,275,811	9,520,884	81,669	223,058	41,101,422

**Nine months ended September 30, 2020**

	Trusses	Engineered wood products	Windows	Walls	Total
	\$	\$	\$	\$	\$
<b>Total revenue</b>	18,638,714	4,995,840	1,030,032	11,890	24,676,476

**16. Cost of sales**

Cost of sales for the three and nine months ended September 30, 2021 and 2020 is as follows:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	\$	\$	\$	\$
Materials	8,432,700	4,552,284	20,316,598	11,634,490
Labour	2,609,941	2,129,573	6,794,484	5,567,195
Maintenance and overhead	719,698	519,015	2,009,240	1,377,885
Amortization	351,014	352,008	1,008,147	990,242
<b>Total cost of sales</b>	<b>12,113,353</b>	<b>7,552,880</b>	<b>30,128,469</b>	<b>19,569,812</b>

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**17. Other income**

Other income for the three and nine months ended September 30, 2021 and 2020 is as follows:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest earned and other	5,460	2,309	10,458	12,742
Sales tax commission	1,217	1,189	4,105	4,120
Canada emergency wage subsidy	-	287,610	-	462,660
<b>Total other income</b>	<b>6,677</b>	<b>291,108</b>	<b>14,563</b>	<b>479,522</b>

**18. Related party transactions**

The Company's related parties consist of the Company's directors and officers, and any companies associated with them. Key management personnel includes directors and executive officers of the Company. Other than the amounts disclosed below, there was no other compensation paid or payable to key management personnel for the reported periods.

Atlas is the parent company and owns 100% of the following subsidiaries: Clinton, Satellite, ABS, Pacer, SC, and Novum.

The Company incurred the following charges as part of the Company's consolidated statement of income (loss) and comprehensive income (loss) during the three and nine months ended September 30, 2021 and 2020:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Salaries and benefits	219,947	284,962	865,267	757,668
Management fees	30,600	61,200	54,600	206,200
Administrative and office	27,000	30,000	88,550	80,500
Finance charge on lease obligations <sup>1</sup>	17,169	1,966	47,126	8,746
Share-based compensation	30,378	17,175	69,824	80,834
<b>Total related party transactions</b>	<b>325,094</b>	<b>395,303</b>	<b>1,125,367</b>	<b>1,133,948</b>

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**18. Related party transactions (continued)**

**Due from/to related parties**

Amounts due from/to related parties are detailed as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b>\$</b>	<b>\$</b>
<b>Due from related party</b>		
Accounts receivable	-	36,391
<b>Total due from related party</b>	<b>-</b>	<b>36,391</b>
<b>Due to related parties</b>		
Accounts payable and accrued liabilities	(10,000)	(115,066)
Lease obligation (Note 12) <sup>1</sup>	(1,141,018)	(21,888)
<b>Total due to related parties</b>	<b>(1,151,018)</b>	<b>(136,954)</b>

1. A Director of the Company has a 50% ownership in a company that owns the land and building and leases the premises to our Atlas location.

These amounts were incurred in the normal course of operations and are recorded at exchange amounts as part of our consolidated statement of financial position. Accounts receivable and accounts payable and accrued liabilities are unsecured, non-interest bearing, and have no set terms of repayment.

**19. Supplemental cash flow information**

Investing and financing activities that do not have a direct impact on the current cash flows are excluded from the cash flow statements. During the three and nine months ended September 30, 2021 and 2020, the Company had the following non-cash investing and financing activities:

**Three months ended September 30, 2021**

- A building lease was adjusted for \$3,048 to reflect a change in the base rent effective July 2021.
- Two leases expired and the assets were bought. As a result, the residual lease obligation had to be adjusted by \$28,393

**Nine months ended September 30, 2021**

- A building lease was renewed under a right-of-use asset for \$1,314,391. As a result of the renewal there was an adjustment to the lease obligation of \$21,888;
- A building lease was cancelled with no repayment of the residual lease liability. The outstanding principal of \$27,803 was adjusted.
- A building lease was adjusted for \$3,048 to reflect a change in the base rent effective July 2021.
- Two leases expired and the assets were bought. As a result, the residual lease obligation had to be adjusted by \$28,393

**Three and nine months ended September 30, 2020**

During the three and nine months ended September 30, 2020, the Company had no investing or financing activities identified that did not have a direct impact on the current cash flows.

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**20. Reconciliation of liabilities arising from financing activities**

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	<b>Long-term debt</b>	<b>Lease obligations</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance December 31, 2020	6,999,633	2,227,124	9,226,757
Repayments	(745,208)	(796,902)	(1,542,110)
Issuance	-	-	-
Non-cash – lease obligation	-	1,314,391	1,314,391
Non-cash – lease adjustment	-	(75,036)	(75,036)
<b>Balance September 30, 2021</b>	<b>6,254,425</b>	<b>2,669,577</b>	<b>8,924,002</b>

	<b>Long-term debt</b>	<b>Lease obligations</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance December 31, 2019	8,275,599	3,388,476	11,664,075
Repayments	(6,314,005)	(1,362,161)	(7,676,166)
Issuance	5,038,039	-	5,038,039
Non-cash – lease obligation	-	200,809	200,809
<b>Balance December 31, 2020</b>	<b>6,999,633</b>	<b>2,227,124</b>	<b>9,226,757</b>

**21. Financial instruments**

**Classification of financial instruments**

The Company's financial instruments consist of cash, trade accounts receivable, accounts payable and accrued liabilities, customer deposits, and long-term debt. The Company classified and measured its cash and accounts receivable as subsequently measured at amortized cost. The accounts payable and accrued liabilities, customer deposits, and long-term debt notes are classified and measured at amortized cost.

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk, interest rate risk, credit risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors who actively focus on securing the Company's cash flows by minimizing the exposure to volatile financial instrument risks.

**Fair value**

Due to the short-term nature of cash, trade accounts receivable, accounts payable and accrued liabilities the carrying value of these financial instruments approximates their fair value. Customer deposits are short-term in nature as they are either refundable if the order is not completed or applied to an order at their carrying value. The carrying value of the customer deposits would approximate their fair value. The fair value of long-term debt is not materially different from its carrying value.

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**21. Financial instruments (continued)**

**Market risk**

**a) Foreign exchange risk**

The Company is exposed to foreign exchange risk. The Company has revenue from sales to the US, US non-inventory expenditures, and bank accounts in US currency. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Company. The risk is measured through a forecast of highly probable USD transactions.

The Company minimizes the risk of the volatility of the US currency cost by keeping USD funds received from sales in USD bank accounts. These USD funds are then used for expenditures that arise in the same currency. Only at the end of the year does the Company assess the risk of transferring the excess funds to a CDN bank account. If the risk is too high, then the funds will remain in the USD account until the risk is reduced.

Profit or loss is sensitive to the fluctuations of the USD to CDN foreign exchange rates on the US revenues. If the USD foreign exchange rate were to increase by 10% with a full year of USD sales transactions, this is estimated by management to increase sales by \$47,800 annually.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's policy is to minimize interest rate risk exposures on term financing. All leases and exchangeable notes have fixed rates. As at September 30, 2021, the Company is exposed to changes in market interest rates through the bank borrowings at a floating base rate. This risk is low because changes in the prime rate are not substantial and increases would not impact the consolidated financial statements significantly. If the rates were to increase 10% this would result in an increase in interest of approximately \$14,503 over the fiscal year.

**Credit risk**

Credit risk is the risk that a counterparty fails to meet its contractual obligation to the Company. The Company is exposed to the risk for various financial instruments through receivables from customers and placing deposits and the potential for cash fraud. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at September 30, 2021 and December 31, 2020 summarized below:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	\$	\$
<b>Classes of financial assets – carrying amounts</b>		
Cash	4,412,754	1,816,989
Trade accounts receivable, net of loss allowance	8,459,391	5,060,502
	<b>12,872,145</b>	<b>6,877,491</b>

The Company closely monitors cash by applying a sweep account function to the subsidiary accounts and a daily bank reconciliation. The Company also requires each division to detail weekly any collection attempts of receivables over 61 days and prepares and aging account receivable report weekly to monitor any progress.

The Company also continuously monitors defaults of customers, identified individually, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and credit checks are obtained and used. The Company's policy is to deal only with creditworthy customers.

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**21. Financial instruments (continued)**

**Credit risk (continued)**

The Company has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The receivables and their aging as at September 30, 2021 and December 31, 2020 is summarized below:

	September 30, 2021	December 31, 2020
	\$	\$
<b>Trade accounts receivable, net of loss allowance</b>		
Current	5,456,142	3,149,790
Past due 1 to 30 days	1,685,924	1,347,546
Past due 31 to 60 days	398,829	283,509
Past due over 60 days	918,496	279,657
	<b>8,459,391</b>	<b>5,060,502</b>

The loss allowance as at September 30, 2021 and December 31, 2020 was determined as follows for trade accounts receivable:

**As at September 30, 2021**

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due over 60 days	Total
Expected loss rate	0.00%	0.00%	0.25%	0.41%	0.06%
Trade accounts receivable	5,456,142	1,685,924	399,829	922,250	8,464,145
<b>Loss allowance</b>	-	-	1000	3,754	4,754

**As at December 31, 2020**

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due over 60 days	Total
Expected loss rate	0.00%	0.00%	0.25%	0.76%	0.06%
Trade accounts receivable	3,149,790	1,347,546	284,220	281,790	5,063,346
<b>Loss allowance</b>	-	-	711	2,133	2,844

The expected loss rates are based on historical credit losses and adjusted to reflect current and forward-looking information of the customers' ability to settle the receivables. This is affected and adjusted constantly based on acquisitions that bring in new customers and new information from economic conditions.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company may be exposed to liquidity risks if it is unable to collect its trade and other receivables balances in a timely manner, which could in turn impact the Company's long-term ability to meeting commitments under its current facilities. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities and debt servicing ratios. The Company also forecasts and manages cash inflows and outflows on a daily, weekly and monthly basis.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables exceeds the current cash outflow requirements as our current ratio is currently 2.02:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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*(Unaudited - expressed in Canadian dollars)*

**21. Financial instruments (continued)**

**Liquidity risk (continued)**

As at September 30, 2021, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current	Current	Non-current	Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	\$	\$	\$	\$
Lease obligations	597,177	554,930	1,795,330	-
Accounts payable and accrued liabilities	4,597,931	-	-	-
Income taxes payable	1,136,826	-	-	-
Long-term debt	604,579	580,742	4,144,909	1,927,410
<b>Total</b>	<b>6,936,513</b>	<b>1,135,672</b>	<b>5,940,239</b>	<b>1,927,410</b>

As at December 31, 2020, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current	Current	Non-current	Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	\$	\$	\$	\$
Lease obligations	553,017	458,451	1,420,091	-
Accounts payable and accrued liabilities	3,055,067	-	-	-
Income taxes payable	147,489	-	-	-
Long-term debt	663,932	654,895	5,426,848	1,636,661
<b>Total</b>	<b>4,419,505</b>	<b>1,113,346</b>	<b>6,846,939</b>	<b>1,636,661</b>

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

**22. Management of capital**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue operations. In the management of capital, the Company includes its components of long-term debt, lease obligations, cash and equity.

The amounts managed as capital by the Company are summarized as follows:

	September 30, 2021	December 31, 2020
	\$	\$
Long-term debt	6,254,425	6,999,633
Lease obligations	2,669,577	2,227,124
Less: Cash and cash equivalents	(4,412,754)	(1,816,989)
Net debt	4,511,248	7,409,768
Total equity	17,494,586	12,930,281
	<b>22,005,834</b>	<b>20,340,049</b>

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**22. Management of capital (continued)**

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling its expenses.

Management reviews its capital management policies on an ongoing basis.

**23. Contingent liabilities**

The Company has a claim pending effective July 21, 2021 for \$35,000 related to wrongful dismissal claim. The probability of the event taking place is assessed as possible by management. Since the contingent outflow is possible but not probable, no amount is recorded in the financial statements.