

AEP

ATLAS ENGINEERED
PRODUCTS

Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(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 and Comprehensive Income
For the three and nine months ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian dollars)

	Note	Three Months Ended		Nine Months Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		\$	\$	\$	\$
Revenue	15	17,638,289	17,563,359	46,909,032	41,101,422
Cost of sales	16	(11,473,688)	(12,113,355)	(32,114,233)	(30,128,469)
Gross profit		6,164,601	5,450,004	14,794,799	10,972,953
Operating expenses					
Administrative and office	17	449,194	358,599	1,336,736	1,009,918
Depreciation and amortization	7, 8, 11	306,813	312,617	888,466	948,165
Bad debt expense		2,773	1,919	3,234	2,671
Management fees	17	-	30,600	-	55,246
Professional fees		134,065	50,075	356,493	171,470
Salaries and benefits	17	825,751	778,928	2,467,919	2,438,788
Share-based payments	14(c), 17	54,697	30,378	196,501	69,824
Operating profit		4,391,308	3,886,888	9,545,450	6,276,871
Other income		52,182	6,677	104,624	14,563
Interest expense		(154,913)	(60,765)	(363,612)	(188,001)
Finance charge on leases	12, 17	(31,546)	(44,992)	(105,775)	(140,193)
Foreign exchange (loss) gain		(2,667)	7,308	(10,938)	(10,108)
Loss on disposal of assets		-	(2,124)	(10,154)	(13,087)
Income before income tax		4,254,364	3,792,992	9,159,595	5,940,045
Income taxes					
Current income tax expense		(1,186,773)	(863,086)	(2,628,845)	(1,240,150)
Deferred income tax recovery (expense)		64,021	(135,993)	208,281	(205,415)
		(1,122,752)	(999,079)	(2,420,564)	(1,445,565)
Net income and comprehensive income for the period		3,131,612	2,793,913	6,739,031	4,494,480
Income per share					
Basic		0.05	0.05	0.11	0.08
Diluted		0.05	0.04	0.11	0.06
Weighted average number of shares outstanding					
Basic		59,215,310	57,725,730	59,016,124	57,725,730
Diluted		62,522,810	77,930,855	63,936,132	77,973,749

Atlas Engineered Products Ltd.
Condensed Interim Consolidated Statements of Cash Flows
For the three and nine months ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Operating activities				
Net income for the period	3,131,612	2,793,913	6,739,031	4,494,480
Depreciation and amortization	709,646	663,633	2,036,960	1,956,312
Deferred tax (recovery) expense	(64,021)	135,993	(208,281)	205,415
Loss on disposal of assets	-	2,124	10,154	13,087
Share-based payments	54,697	30,379	196,501	69,825
Changes in non-cash working capital items:				
Accounts receivable	(987,156)	(983,826)	(1,238,887)	(3,100,731)
Inventories	1,072,745	526,547	(1,783,813)	(1,482,348)
Prepaid expenditures	(5,209)	(13,227)	62,844	106,746
Assets held for sale	-	24,125	-	24,125
Deposits	(321,191)	(8,155)	(338,517)	59,617
Accounts payable and accrued liabilities	22,170	(404,018)	695,654	1,542,864
Customer deposits	(416,898)	(115,204)	522,865	502,506
Corporate income taxes payable	558,933	612,270	58,488	989,337
Cash provided by operations	3,755,328	3,264,554	6,752,999	5,381,235
Investing activities				
Acquisition of buildings and equipment	(116,756)	(41,757)	(3,587,385)	(1,278,320)
Proceeds from disposition of equipment	-	31,446	-	34,960
Proceeds from assets held for sale	-	-	20,000	-
Hi-Tec acquisition net of cash acquired (Note 3)	-	-	(5,940,423)	-
Cash used in investing activities	(116,756)	(10,311)	(9,507,808)	(1,243,360)
Financing activities				
Repayment of principal lease obligations	(264,511)	(257,871)	(765,827)	(796,902)
Repayment of long-term debt (Note 13)	(462,303)	(247,624)	(1,271,193)	(745,208)
Proceeds from long-term debt (Note 13)	-	-	8,237,500	-
Shares repurchased for cancellation (Note 14b)	(326,096)	-	(759,075)	-
Proceeds from warrants exercised (Note 14d)	-	-	1,261,691	-
Proceeds from stock option exercise (Note 14b)	-	-	9,000	-
Cash provided by (used in) financing activities	(1,052,910)	(505,495)	6,712,096	(1,542,110)
Increase in cash	2,585,662	2,748,748	3,957,287	2,595,765
Cash - beginning of period	10,318,807	1,664,006	8,947,182	1,816,989
Cash - end of period	12,904,469	4,412,754	12,904,469	4,412,754
Cash paid during the period for:				
Interest	186,459	105,757	469,387	328,194
Income taxes	935,940	255,265	2,878,457	255,265

Supplemental cash flow information – Note 18

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	Retained Earnings	Total
	(Note 14)	(Note 14)	(Note 14)		
		\$	\$	\$	\$
Balance, December 31, 2020	57,725,730	19,230,222	1,432,545	(7,732,486)	12,930,281
Share-based payments	-	-	69,824	-	69,824
Net income for the period	-	-	-	4,494,481	4,494,481
Balance, September 30, 2021	57,725,730	19,230,222	1,502,369	(3,238,005)	17,494,586
Share-based payments	-	-	21,317	-	21,317
Shares repurchased for cancellation (Note 14b)	-	(178,128)	-	-	(178,128)
Warrants exercised (Note 14d)	25,000	15,000	-	-	15,000
Net income for the period	-	-	-	2,459,868	2,459,868
Balance, December 31, 2021	57,750,730	19,067,094	1,523,686	(778,137)	19,812,643
Share-based payments	-	-	196,501	-	196,501
Shares repurchased for cancellation (Note 14b)	(1,550,500)	(759,074)	-	-	(759,074)
Warrants exercised (Note 14d)	2,102,819	1,261,691	-	-	1,261,691
Stock options exercised (Note 14b)	30,000	17,439	(8,439)	-	9,000
Net income for the period	-	-	-	6,739,031	6,739,031
Balance, September 30, 2022	58,333,049	19,587,150	1,711,748	5,960,894	27,259,792

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, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

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, 2022.

These consolidated financial statements have been 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 year 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 year. 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.

These consolidated financial statements were approved for issue by the Board of Directors on November 23, 2022.

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 seven 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”), Novum Building Components Ltd. (“Novum”), and Hi-Tec Industries Ltd. (“Hi-Tec”). 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.

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

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian dollars)

3. Acquisition of Hi-Tec

On February 28, 2022, the Company completed its acquisition of Hi-Tec whereby the Company acquired all the issued and outstanding shares of Hi-Tec for \$5,800,000 in cash. A working capital adjustment was calculated and finalized within 60 days of closing and was calculated to be \$454,981. The Company also purchased the land and buildings for the appraised value of \$3,250,000 in cash. Hi-Tec is located in Lantzville, BC. Hi-Tec, a manufacturer of roof and floor trusses and supplier of engineered wood products aligns with the core business of the Company.

Any potential goodwill, still to be determined, has given the Company greater access to the Vancouver Island market in BC. Hi-Tec is close to the Company's ABS location and this acquisition will provide synergies between the locations when it comes to employees, skills, training, equipment, and shipping options.

A significant portion of the cash required to complete the transaction was provided by a term loan and a mortgage from a major Canadian chartered bank.

In accordance with IFRS 3, the Hi-Tec acquisition will be accounted for as a business combination. The purchase price allocation as at September 30, 2022 has been estimated as follows:

Category	\$
Cash	5,800,000
Working capital	454,981
Total consideration	6,254,981
Cash	314,558
Accounts receivable	560,993
Inventories	680,373
Prepays	24,383
Building and equipment	1,554,600
Goodwill	4,016,713
Accounts payable and accrued liabilities	(509,026)
Deferred tax liability	(387,613)
	6,254,981

Due to the recent nature of the transaction, the PPA calculations are still preliminary and have not been finalized. The above values are based on initial working papers detailing the carrying value of the assets and liabilities at time of acquisition, but some values are still be finalized and agreed upon. The valuation of the intangible assets has also not been completed.

Prior to acquisition Hi-Tec was a private company and financial information was impractical to obtain and verify. If the acquisition had occurred at January 1, 2022 then the revenues would have been \$5,499,669. The following table shows the results of the operations of Hi-Tec since the acquisition date.

	Hi-Tec
	Feb 28 – Sept 30, 2022
	\$
Sales per consolidated financial statements	4,441,970
Income before tax	1,159,218
Income tax expense	172,295
Income for the period	986,923

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian dollars)

4. Accounts receivable

Trade and other receivables were as follows:

	September 30, 2022	December 31, 2021
	\$	\$
Trade accounts receivable	8,500,367	6,681,064
Other receivables	37,587	55,714
Loss allowance	(7,162)	(5,866)
	8,530,792	6,730,912

Trade and other receivables are non-interest bearing and are 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, 2022, the estimated credit loss amounted to \$7,162 (December 31, 2021 - \$5,866).

5. Inventories

	September 30, 2022	December 31, 2021
	\$	\$
Raw materials	4,712,751	2,514,687
Work in progress	254,831	135,071
Finished goods	867,044	720,682
	5,834,626	3,370,440

During the three and nine months ended September 30, 2022, \$7,131,429 and \$20,325,590 (September 30, 2021 - \$8,415,563 and \$20,235,682) 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, 2022.

6. Assets held for sale

As of February 2021, the Company no longer manufactured windows. Atlas Building Systems Ltd. ("ABS") (formerly 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 at the time of transition was \$94,078 in production equipment and \$170,209 in inventory.

The carrying values as at September 30, 2022 and December 31, 2021 was as follows:

	September 30, 2022	December 31, 2021
	\$	\$
Equipment	39,800	69,954
	39,800	69,954

On March 9, 2022, \$10,154 was recorded as a loss on disposal of equipment as some of the window equipment was sold during the period. The Company expects to continue to sell the remaining equipment during fiscal 2022.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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(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
	\$	\$	\$	\$	\$	\$	\$
Cost							
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	20,516	196,643	1,071,802	36,353	-	2,667,187
Disposals	(1,341,228)	(9,933)	(547,295)	(186,945)	-	-	(2,085,401)
Balance, December 31, 2021	6,667,473	230,187	2,676,255	5,603,403	344,764	231,971	15,754,053
Additions	3,782,972	8,627	99,027	60,346	39,452	-	3,990,424
Additions through business combination	-	9,500	331,400	1,210,400	3,300	-	1,554,600
Disposals	-	-	(135,000)	-	-	-	(135,000)
Balance, September 30, 2022	10,450,445	248,314	2,971,682	6,874,149	387,516	231,971	21,164,077
Accumulated depreciation							
Balance, December 31, 2020	2,620,349	135,094	1,634,487	2,280,680	237,663	138,079	7,046,352
Additions	992,097	17,267	450,326	544,629	23,821	7,550	2,035,690
Disposals	(1,284,846)	(1,647)	(447,687)	(61,922)	-	-	(1,796,102)
Balance, December 31, 2021	2,327,600	150,714	1,637,126	2,763,387	261,484	145,629	7,285,940
Additions	759,218	12,931	272,215	512,719	22,421	5,203	1,584,707
Disposals	-	-	(99,734)	-	-	-	(99,734)
Balance, September 30, 2022	3,086,818	163,645	1,809,607	3,276,106	283,905	150,832	8,770,913
Carrying amount at December 31, 2021	4,339,873	79,473	1,039,129	2,840,016	83,280	86,342	8,468,113
Carrying amount at September 30, 2022	7,363,627	84,669	1,162,075	3,598,043	103,611	81,139	12,393,164

Depreciation for tangible assets during the three and nine months ended September 30, 2022 was \$558,895 and \$1,584,707 (September 30, 2021 - \$512,881 and \$1,504,059). During the three and nine months ended September 30, 2022, \$402,833 and \$1,148,494 (September 30, 2021 - \$351,015 and \$1,008,147) 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, 2022 and 2021
(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, 2022 and December 31, 2021.

	Building	Office Furniture and Equipment	Vehicles	Production Equipment	Total
	\$	\$	\$	\$	\$
Balance, December 31, 2020	1,778,141	-	417,302	-	2,195,443
Additions	1,329,497	-	-	-	1,329,497
Disposals, net	(56,383)	-	(55,067)	-	(111,450)
Depreciation charge for the year	(882,782)	-	(134,707)	-	(1,017,489)
Balance, December 31, 2021	2,168,473	-	227,528	-	2,396,001
Additions	367,772	-	-	-	367,772
Disposals, net	-	-	(93,539)	-	(93,539)
Depreciation charge for the period	(672,168)	-	(52,312)	-	(724,480)
Balance, June 30, 2022	1,864,077	-	83,677	-	1,945,754

8. Intangible assets

	Customer Relationships	Brand	Non-Compete Agreements	Total
	\$	\$	\$	\$
Cost				
Balance, December 31, 2020	4,214,000	1,206,000	477,000	5,897,000
Additions	-	-	-	-
Impairment	-	-	-	-
Balance, December 31, 2021	4,214,000	1,206,000	477,000	5,897,000
Additions	-	-	-	-
Impairment	-	-	-	-
Balance, September 30, 2022	4,214,000	1,206,000	477,000	5,897,000
Accumulated amortization				
Balance, December 31, 2020	874,690	250,792	197,081	1,322,563
Additions	421,396	120,612	95,400	637,408
Impairment	-	-	-	-
Balance, December 31, 2021	1,296,086	371,404	292,481	1,959,971
Additions	316,047	90,459	71,550	478,056
Impairment	-	-	-	-
Balance, September 30, 2022	1,612,133	461,863	364,031	2,438,027
Carrying amount at December 31, 2021	2,917,914	834,596	184,519	3,937,029
Carrying amount at September 30, 2022	2,601,867	744,137	112,969	3,458,973

Amortization for intangible assets during the three and nine months ended September 30, 2022 was \$159,352 and \$478,056 (September 30, 2021 - \$159,352 and \$478,056).

As at September 30, 2022, the Company completed a quarterly assessment of the intangible assets and determined there were no circumstances leading to an impairment of these intangible assets.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(Unaudited - expressed in Canadian dollars)

9. Goodwill

The following summarizes the Company's goodwill as at June 30, 2022 and December 31, 2021.

	Clinton	Satellite	Pacer	SC	Hi-Tec	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, December 31, 2020	474,428	136,446	2,284,327	883,275	-	3,778,476
Additions	-	-	-	-	-	-
Balance, December 31, 2021	474,428	136,446	2,284,327	883,275	-	3,778,476
Additions	-	-	-	-	4,016,713	4,016,713
Balance, September 30, 2022	474,428	136,446	2,284,327	883,275	4,016,713	7,795,189

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, 2022.

10. Accounts payable and accrued liabilities

	September 30, 2022	December 31, 2021
	\$	\$
Trade accounts payable	1,625,575	1,293,663
Sales taxes payable	800,441	407,539
Salaries and vacation payable	502,405	386,386
Other accounts payable	100,894	102,626
Accrued liabilities	1,224,127	858,548
	4,253,442	3,048,762

11. Intangible liability

	Over-Market Lease Agreement	Total
	\$	\$
Cost		
Balance, December 31, 2020	172,000	172,000
Additions	-	-
Balance, December 31, 2021	172,000	172,000
Additions	-	-
Balance, September 30, 2022	172,000	172,000
Accumulated amortization		
Balance, December 31, 2020	71,675	71,675
Additions	34,404	34,404
Balance, December 31, 2021	106,079	106,079
Additions	25,803	25,803
Balance, September 30, 2022	131,882	131,882
Carrying amount at December 31, 2021	65,921	65,921
Carrying amount at September 30, 2022	40,118	40,118

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

11. Intangible liability (continued)

Amortization for intangible liability during the three and nine months ended September 30, 2022 was \$8,601 and \$25,803 (September 30, 2021 - \$8,601 and \$25,803).

As at September 30, 2022, the Company completed an annual assessment of the intangible liability and determined there were no circumstances leading to an adjustment of the intangible liability.

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, 2022 and December 31, 2021 are as follows:

	September 30, 2022	December 31, 2021
	\$	\$
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 17).	906,812	1,083,687
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.	692,073	1,119,829
Building under right-of-use asset lease repayable in monthly instalments of \$6,646 inclusive of implied interest of 3.95% per annum, residual value of \$nil, maturing in June 2027.	345,449	-
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.	61,097	109,454
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, matured in April 2022.	-	20,414
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, matured in September 2022	-	22,519
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.	15,863	63,447
Total lease obligation	2,021,294	2,419,350
Current portion	(1,009,492)	(989,229)
Non-current portion	1,011,802	1,430,121

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

12. Lease obligations (continued)

The following is a schedule of the total lease payments made during the three and nine months ended September 30, 2022 and 2021:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Principal payment	264,511	257,871	765,827	796,902
Interest expense	31,546	44,992	105,775	140,193
Total lease payments	296,057	302,863	871,602	937,095

During the three and nine months ended September 30, 2022 a new building lease was entered into for \$363,053 and the value of an existing building lease was increase by \$4,719 (September 30, 2021 – a building lease was renewed under a right-of-use asset lease for \$1,314,392).

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, 2022
	\$
2022	288,408
2023	992,079
2024	385,753
2025	391,752
2026	79,752
2027	39,876
Total minimum lease payments	2,177,620
Less: imputed interest	(156,326)
Total present value of minimum lease payments	2,021,294

During the nine months ended September 30, 2022 – the Company entered into a low value lease for office equipment for \$4,740 (September 30, 2021 – a low value lease for office equipment for \$3,366).

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13. Long-term debt

The long-term debt consists of the following:

	September 30, 2022	December 31, 2021
	\$	\$
BDC loan ¹	791,721	825,174
BDC loan ²	802,560	929,280
Scotiabank assumed loan ³	16,219	23,518
Saw financing ⁴	-	73,082
TD term loan ⁵	3,666,080	4,156,511
TD term loan ⁶	963,091	963,091
TD mortgage ⁷	2,380,625	-
TD term loan ⁸	5,316,667	-
	13,936,963	6,970,656
Less current portion of term debt	(1,815,324)	(951,983)
Total long-term portion of term debt	12,121,639	6,018,673

1. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at September 30, 2022) 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 September 30, 2022) 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 September 30, 2022, 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 September 30, 2022 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 September 30, 2022) 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.
6. A term loan with a major Canadian bank bearing interest at a floating rate (5.45% as at September 30, 2022) with principal repayable at the Company's discretion within 36 months from date of drawdown. The term of the loan is 36 months from the date of drawdown with monthly interest payments of 1,972 per month. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
7. A mortgage with a major Canadian bank bearing interest at a floating rate (5.45% as at September 30, 2022) repayable at \$8,125 per month with maturity February 2047. The loan is amortized over 300 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
8. A term loan with a major Canadian bank bearing interest at a floating rate (5.45% as at September 30, 2022) repayable at \$69,047.62 per month with maturity February 2029. The term of the loan is 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.

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13. Long-term debt (continued)

The Company has a credit facility agreement with TD Canada Trust. The agreement has three facilities. The first facility is an operating line of credit and the second facility is a committed revolving facility which was used to refinance the purchase of equipment in January 2021. The third facility is a committed reducing term loan 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 2.75 to 1 which is tested quarterly on a twelve-month rolling basis. This total leverage ratio steps down to less than or equal to 2.50 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, 2022, the Company was in compliance with their covenants

14. Share capital

a) Authorized

Unlimited common shares without par value.

b) Share capital transactions

On November 3, 2021 the Company commenced a Normal Course Issuer Bid (NCIB) which is effective until the earlier of November 3, 2022 and the date on which the Company has purchased the maximum permitted number of shares. Pursuant to the NCIB, the Company may purchase up to 2,886,286 of its outstanding common shares as at October 28, 2021 representing approximately 5% of the public float of shares outstanding at market prices.

During the nine months ended September 30, 2022 the Company purchased for cancellation 1,550,500 of shares pursuant to its NCIB for a total of \$759,074. The Company's share capital was reduced by the average carrying value of shares repurchased for cancellation.

By February 7, 2022, 2,102,819 warrants were exercised at \$0.60 for 2,102,819 common shares.

On March 24, 2022, 30,000 options were exercised at \$0.30 for 30,000 common shares.

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.

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14. Share capital (continued)

c) Options (continued)

The Company's share options outstanding as at September 30, 2022 and December 31, 2021 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price \$
Balance as at December 31, 2020	2,935,000	0.44
Granted	450,000	0.33
Forfeited	(672,500)	0.32
Balance as at December 31, 2021	2,712,500	0.45
Granted	625,000	0.61
Exercised	(30,000)	0.30
Forfeited	-	-
Balance as at September 30, 2022	3,307,500	0.48

The total share-based payments recorded during the three and nine months ended September 30, 2022 was \$54,696 and \$196,501 (September 30, 2021 - \$30,378 and \$69,824).

The following table summarizes information about the share options outstanding as at September 30, 2022:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years) of 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	0.35	\$0.60	450,000	February 5, 2023
\$0.53	87,500	0.39	\$0.53	87,500	February 21, 2023
\$0.30	495,000	1.42	\$0.30	495,000	March 3, 2024
\$0.49	100,000	3.26	\$0.49	100,000	January 4, 2026
\$0.29	350,000	3.56	\$0.29	233,331	April 21, 2026
\$0.60	425,000	4.26	\$0.60	141,665	January 4, 2027
\$0.64	200,000	4.56	\$0.64	-	April 21, 2027
\$0.48	3,307,500	1.61	\$0.46	2,707,496	

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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
January 4, 2022	5.00	1.39%	Nil	94%	22.84%	\$0.43
April 21, 2022	5.00	2.78%	Nil	67%	22.08%	\$0.37

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

The Company's warrants outstanding as at September 30, 2022 and December 31, 2021 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price
		\$
Balance as at December 31, 2020	17,313,019	0.60
Granted	-	-
Exercised	(25,000)	0.60
Forfeited	(5,140,000)	0.60
Balance as at December 31, 2021	12,148,019	0.60
Granted	-	-
Exercised	(2,102,819)	0.60
Forfeited	(10,045,200)	0.60
Balance as at September 30, 2022	-	-

The total warrant reserve recorded for the three and nine months ended September 30, 2022 was \$Nil and \$Nil (September 30, 2021: \$Nil and \$Nil).

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15. Revenue

The Company had four distinct revenue streams: trusses, engineered wood products, windows, and walls. The sale of windows was ceased in 2021. The Company's revenues by these revenue streams for the three and nine months ended September 30, 2022 and 2021 is as follows:

Three months ended September 30, 2022

	Trusses	Engineered wood products	Windows	Walls	Total
	\$	\$	\$	\$	\$
Total revenue	13,392,327	4,245,962	-	-	17,638,289

Three months ended September 30, 2021

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

Nine months ended September 30, 2022

	Trusses	Engineered wood products	Windows	Walls	Total
	\$	\$	\$	\$	\$
Total revenue	35,091,719	11,708,957	-	108,356	46,909,032

Nine months ended September 30, 2021

	Trusses	Engineered wood products	Windows	Walls	Total
	\$	\$	\$	\$	\$
Total revenue	31,275,811	9,520,884	81,669	186,196	41,101,422

16. Cost of sales

Cost of sales for the three and nine months ended September 30, 2022 and 2021 is as follows:

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Materials	7,226,250	8,432,702	20,423,653	20,316,598
Labour	3,026,305	2,609,941	8,279,844	6,794,484
Maintenance and overhead	818,300	719,698	2,262,242	2,009,240
Amortization	402,833	351,014	1,148,494	1,008,147
Total cost of sales	11,473,688	12,113,355	32,114,233	30,128,469

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17. 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, Novum, and Hi-Tec.

The Company incurred the following charges as part of the Company's consolidated statement of income and comprehensive income during the three and nine months ended September 30, 2022 and 2021:

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries and benefits	183,290	219,947	973,775	865,267
Management fees	-	30,600	-	54,600
Administrative and office	27,000	27,000	90,500	88,550
Finance charge on lease obligations ¹	13,789	17,169	43,625	47,126
Share-based compensation	48,416	30,378	166,457	69,824
Total related party transactions	272,495	325,094	1,274,357	1,125,367

Due from/to related parties

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

	September 30,	December 31,
	2022	2021
	\$	\$
Due to related parties		
Accounts payable and accrued liabilities	(10,362)	(19,767)
Lease obligation (Note 12) ¹	(906,812)	(1,083,687)
Total due to related parties	(917,174)	(1,103,454)

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.

18. 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, 2022 and 2021, the Company had the following non-cash investing and financing activities:

Three and nine months ended September 30, 2022

- A new building lease was entered into for \$363,053.
- The value of an existing building lease increased by \$4,719.

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18. Supplemental cash flow information (continued)

Three and 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

19. Reconciliation of liabilities arising from financing activities

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

	Long-term debt	Lease obligations	Total
	\$	\$	\$
Balance December 31, 2021	6,970,656	2,419,350	9,390,006
Repayments	(1,271,193)	(765,828)	(2,037,021)
Issuance	8,237,500	-	8,237,500
Non-cash – lease obligation	-	363,053	363,053
Non-cash – lease adjustment	-	4,719	4,719
Balance September 30, 2022	13,936,963	2,021,294	15,958,257

	Long-term debt	Lease obligations	Total
	\$	\$	\$
Balance December 31, 2020	6,999,633	2,227,124	9,226,757
Repayments	(992,068)	(1,047,073)	(2,039,141)
Issuance	963,091	-	963,091
Non-cash – lease obligation	-	1,314,392	1,314,392
Non-cash – lease adjustment	-	(75,093)	(75,093)
Balance December 31, 2021	6,970,656	2,419,350	9,390,006

20. 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. 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.

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20. Financial instruments (continued)

Market risk

The Company is exposed to various market risks, including foreign exchange rates, interest rates, and the COVID-19 pandemic. To date, the outbreak and continuing spread of COVID-19 and the related disruption to the economy have not significantly affected the Company's operations.

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 based on previous sales to the US, this is estimated by management to increase sales by \$47,800 annually. The Company did not sell into the US during 2021 but has previously and anticipates selling into the US again in the short-term future.

b) 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, 2022, 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 \$29,624 over the next quarter.

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, 2022 and December 31, 2021 summarized below:

	September 30, 2022	December 31, 2021
	\$	\$
Classes of financial assets – carrying amounts		
Cash and cash equivalents	12,904,469	8,947,182
Trade accounts receivable, net of loss allowance	8,493,205	6,675,198
	21,397,674	15,622,380

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20. Financial instruments (continued)

Credit risk (continued)

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.

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, 2022 and December 31, 2021 is summarized below:

	September 30, 2022	December 31, 2021
	\$	\$
Trade accounts receivable, net of loss allowance		
Current	5,797,995	3,920,669
Past due 1 to 30 days	1,613,041	1,422,835
Past due 31 to 60 days	371,317	381,704
Past due over 60 days	710,852	949,990
	8,493,205	6,675,198

The loss allowance as at September 30, 2022 and December 31, 2021 was determined as follows for trade accounts receivable:

As at September 30, 2022

	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%	0.87%	0.08%
Trade accounts receivable	5,797,995	1,613,041	372,248	717,083	8,500,367
Loss allowance	-	-	931	6,231	7,162

As at December 31, 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%	0.51%	0.09%
Trade accounts receivable	3,920,669	1,422,835	382,661	954,899	6,681,064
Loss allowance	-	-	957	4,909	5,866

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.

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20. Financial instruments (continued)

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 2.94:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

As at September 30, 2022, 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	563,953	535,040	1,078,627	-
Accounts payable and accrued liabilities	4,253,442	-	-	-
Income taxes payable	1,438,281	-	-	-
Long-term debt	1,226,116	1,214,039	11,174,397	3,764,460
Total	7,481,792	1,749,079	12,253,024	3,764,460

As at December 31, 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	570,380	542,127	1,527,943	-
Accounts payable and accrued liabilities	3,048,762	-	-	-
Income taxes payable	1,379,793	-	-	-
Long-term debt	614,326	558,597	5,133,810	1,677,711
Total	5,613,261	1,100,724	6,661,753	1,677,711

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

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21. 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, 2022	December 31, 2021
	\$	\$
Long-term debt	13,936,963	6,970,656
Lease obligations	2,021,294	2,419,350
Less: Cash and cash equivalents	(12,904,469)	(8,947,182)
Net debt	3,053,788	442,824
Total equity	27,259,793	19,812,643
	30,313,581	20,255,467

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. From time to time, the Company purchases its own shares in the open market under a defined NCIB. All repurchased common shares are cancelled.

Management reviews its capital management policies on an ongoing basis.

22. Subsequent events

a) Normal Course Issuer Bid

Subsequent to the nine months ended September 30, 2022, the Company purchased for cancellation an additional 1,335,786 of shares pursuant to its NCIB for a total of \$741,921.