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ATLAS ENGINEERED PRODUCTS

Consolidated Annual Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

Independent auditor's report

To the Shareholders of Atlas Engineered Products Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Atlas Engineered Products Ltd. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Neale.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 19, 2022

Atlas Engineered Products Ltd.
Consolidated Statements of Financial Position
As at December 31, 2021 and 2020
(Expressed in Canadian dollars)

	Note	December 31, 2021	December 31, 2020
		$	$
Assets			
Current			
Cash and cash equivalents		8,947,182	1,816,989
Accounts receivable	**3, 18, 21**	6,730,912	5,417,112
Inventories	**4**	3,370,440	2,254,280
Prepaid expenditures		178,901	159,076
Deposits		10,211	125,586
Assets held for sale	**5**	69,954	-
		19,307,600	9,773,043
Non-current			
Buildings and equipment	**6**	8,468,113	8,125,915
Intangible assets	**7**	3,937,029	4,574,437
Goodwill	**8**	3,778,476	3,778,476
Deferred tax assets	**9**	289,441	840,768
Total Assets		35,780,659	27,092,639
Liabilities			
Current			
Accounts payable and accrued liabilities	**10, 18**	3,048,762	3,055,067
Customer deposits		411,054	148,516
Income taxes payable	**9**	1,379,793	147,489
Lease obligations – current portion	**12**	989,229	877,228
Long-term debt – current portion	**13**	951,983	1,044,734
		6,780,821	5,273,034
Non-current			
Intangible liability	**11**	65,921	100,325
Lease obligations	**12**	1,430,121	1,349,896
Long-term debt	**13**	6,018,673	5,954,899
Deferred tax liability	**9**	1,672,480	1,484,204
		15,968,016	14,162,358
Shareholders' Equity			
Share capital	**14**	19,067,094	19,230,222
Contributed surplus	**14**	1,523,686	1,432,545
Deficiency		(778,137)	(7,732,486)
		19,812,643	12,930,281
Total Liabilities and Shareholders' Equity		35,780,659	27,092,639

Subsequent events – Note 23

APPROVED BY THE DIRECTORS ON APRIL 19, 2021

DON HUBBARD Director ***KEVIN SMITH*** Director

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

Atlas Engineered Products Ltd.

Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

	Note	December 31, 2021	December 31, 2020
		$	**$**
Revenue	**15**	54,997,862	35,734,415
Cost of sales	**16**	(38,844,926)	(28,437,395)
Gross profit		16,152,936	7,297,020
Operating expenses			
Administrative and office	**18**	1,364,982	1,938,936
Depreciation and amortization	**6, 7, 11**	1,253,734	1,431,297
Bad debt expense		52,202	13,077
Management fees	**18**	55,246	267,400
Professional fees		316,029	432,300
Salaries and benefits	**18**	3,138,570	2,646,994
Share-based payments	**14(c), 18**	91,141	85,798
Operating income		9,881,032	481,218
Other income	**17**	31,759	609,497
Interest expense		(243,742)	(437,018)
Finance charge on leases	**12, 18**	(180,305)	(185,875)
Foreign exchange (loss) gain		(12,566)	6,440
Loss on disposal of assets		(170,833)	(128,969)
Income before income tax		9,305,345	345,293
Income taxes			
Current income tax expense		(1,611,394)	(215,153)
Deferred income tax (expense) recovery		(739,603)	98,846
		(2,350,997)	(116,307)
Net income and comprehensive income for the year		6,954,348	228,986
Income per share			
Basic		0.12	0.00
Diluted		0.09	0.00
Weighted average number of shares outstanding			
Basic		57,728,196	56,528,593
Diluted		77,063,773	75,688,479

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

Atlas Engineered Products Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars)

	December 31, 2021	December 31, 2020
	$	$
Operating activities		
Net income for the year	6,954,348	228,986
Depreciation and amortization	2,638,694	2,779,655
Unrealized foreign exchange gain	-	(42,354)
Deferred tax expense (recovery)	739,603	(98,845)
Loss on disposal of assets	170,833	128,969
Share-based payments	91,141	85,798
Changes in non-cash working capital items:		
Accounts receivable	(1,595,591)	(1,986,776)
Inventories	(1,286,369)	(328,781)
Prepaid expenditures	(19,825)	(84,128)
Deposits	115,375	26,742
Accounts payable and accrued liabilities	275,486	(102,751)
Customer deposits	262,538	53,967
Corporate income taxes payable (receivable)	1,232,304	(92,837)
Cash provided by operations	9,578,537	567,645
Investing activities		
Acquisition of equipment	(1,323,129)	(342,842)
Proceeds from disposition of equipment	84,960	36,428
Proceeds from assets held for sale	29,003	-
Novum acquisition (Note 3)	-	(428,819)
Cash used in investing activities	(1,209,166)	(735,233)
Financing activities		
Repayment of principal lease obligations	(1,047,073)	(1,362,161)
Repayment of long-term debt (Note 13)	(992,068)	(6,314,005)
Proceeds from long-term debt (Note 13)	963,091	5,038,039
Shares repurchased for cancellation (Note 14b)	(178,128)	-
Proceeds from warrants exercised (Note 14d)	15,000	-
Repayment of bank indebtedness	-	(1,470,000)
Shares issued for cash	-	4,597,253
Cash share issue costs	-	(261,954)
Cash (used in) provided by financing activities	(1,239,178)	227,172
Increase in cash	7,130,193	59,584
Cash - beginning of year	1,816,989	1,757,405
Cash - end of year	8,947,182	1,816,989
Cash paid during the year for:		
Interest	424,047	622,894
Income taxes	510,571	322,614

Supplemental cash flow information – Note 19

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

Atlas Engineered Products Ltd.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Contributed Surplus	Deficiency	Total
	(Note 14)	(Note 14)	(Note 14)		
		$	$	$	$
Balance, December 31, 2019	**46,232,596**	**14,836,346**	**1,346,747**	**(7,961,471)**	**8,221,622**
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 income for the year	-	-	-	228,986	228,986
Balance, December 31, 2020	**57,725,730**	**19,230,222**	**1,432,545**	**(7,732,485)**	**12,930,282**
Share-based payments	-	-	91,141	-	91,141
Shares repurchased for cancellation (Note 14b)	-	(178,128)	-	-	(178,128)
Warrants exercised (Note 14d)	25,000	15,000	-	-	15,000
Net income for the year	-	-	-	6,954,348	6,954,348
Balance, December 31, 2021	**57,750,730**	**19,067,094**	**1,523,686**	**(778,137)**	**19,812,643**

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

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 year ended December 31, 2021.

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 April 19, 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.

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.

2. Significant Accounting Policies (continued)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquired assets and liabilities assumed are measured at their acquisition date fair values. Acquisition costs are expensed as incurred.

Under the guidance of IFRS 10 Consolidated Financial Statements, control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquirer's returns. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is measured in accordance with IFRS 9 Financial Instruments, as appropriate, with the corresponding gain or loss being recognized in profit and loss.

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS as issued by the IASB requires management to make estimates and judgements that affect the amount reported in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are subject to measurement uncertainty. Actual results may differ from these estimates.

2. Significant Accounting Policies (continued)

Management estimates

a) Inventory valuation

Management estimates the net realizable values ("NRV") of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market driven changes that may affect future selling prices.

b) Impairment of long-lived assets

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit ("CGU") at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount will be made. These estimates and assumptions are used in future cash flow projections and the discount rate applied to those forecasts are subject to risk and uncertainty and therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

c) Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

Cash

Cash in the statement of financial position comprises cash on deposit with financial institutions, cash on hand, restricted cash, and petty cash.

Inventories

The Company values inventory at the lower of cost and NRV. The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgement regarding reliability of evidence available and are reviewed on a quarterly basis.

The cost of inventories is determined on a first in, first out basis, and includes all costs of purchase, costs of conversion and other costs in bringing the inventories to their present location and condition. The costs of purchase include the purchase price, import duties and non-recoverable taxes, transport, handling, and other costs directly attributable to the acquisition of finished goods, materials, or services. The costs of conversion include direct materials and labour costs and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods.

Write-down of inventory is recognized within cost of sales in the period the write-down occurs. Reversal of any write-down of inventory, arising from an increase in net realizable value, is recorded within cost of sales to the extent that the related inventory has not been sold.

2. Significant Accounting Policies (continued)

Buildings and equipment

Buildings and equipment are stated at historical cost net of accumulated depreciation and impairment losses.

The cost of an item of buildings and equipment includes the purchase price or construction cost and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Where an item of buildings and equipment comprises major components with different useful lives, the components are accounted for as separate items of buildings and equipment.

Costs incurred for major overhaul of existing buildings and equipment are capitalized and are subject to depreciation once they are available for use. Major overhauls include improvement programs that increase the productivity or extend the useful life of an asset beyond that initially envisaged. The costs of routine maintenance and repairs that do not constitute improvement programs are expensed.

The carrying amounts of buildings and equipment are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned. Depreciation starts on the date when commissioning is complete and the asset is ready for its intended use. The major categories of buildings and equipment are depreciated on a declining-balance basis at the following annual rates:

Office furniture and equipment	20%
Vehicles	30%, useful life
Production equipment	20%
Computer equipment	30%
Computer software	100%
Signage	20%
Parking lot and improvements	8%
Building	4%
Buildings and vehicles under lease	Over the term of the lease

Government assistance

The Company recognizes government assistance only when there is reasonable assurance that the entity will comply with any conditions attached to the funding and the funding will be received.

Non-repayable government assistance receivable as compensation for current costs already incurred or for immediate financial support, with no future related costs is recognised as income in the period in which it is receivable. The government assistance may be reported separately as 'other income' or deducted from the related expense.

The non-repayable government assistance received was recognised as ‘other income’ over the period necessary to match the payments to the related costs, for which they are intended to compensate, on a systematic basis.

2. Significant Accounting Policies (continued)

Impairment of non-financial assets

The Company performs impairment tests on non-financial assets when events or circumstances occur which indicate the carrying amount of the assets may not be recoverable. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Goodwill and intangible assets and liability

The recoverable amount is the higher of the fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable by geographic location. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset.

Fair value less cost of disposal is the amount that would be received from selling an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal.

Goodwill is not amortized; instead it is evaluated for impairment annually with October 31 as the assessment date and carried at cost less any accumulated impairment losses. The Company will evaluate goodwill more frequently if events or changes in circumstances indicate a potential impairment.

Definite-lived intangible assets are stated at cost less amortization and are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Definite-lived intangible assets include customer relationships, brand, certification, and non-compete agreements for Clinton, Satellite, Pacer, SC, and Novum. The customer relationships, brand, and certification are being amortized using the straight-line method over the estimated useful life of ten years. The non-compete agreements and over market lease are being amortized over the life of the agreements at five years.

2. Significant Accounting Policies (continued)

Revenue

Revenue is generated mainly from the sale of trusses, wall panels, engineered wood products, and windows.

To determine whether to recognize revenue, the Company follows the following five-step process:

1. Identify the contract with a customer (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations. At this stage a quote turns to an order. Final design gets completed a few days before production where the customer is contacted to finalize these plans;
2. the performance obligation is easily identifiable regarding the goods or services to be transferred. The customer specifically orders trusses, windows, wall panels, or engineered wood products based on a design and quote. They are required to have approved plans through the city which indicate product requirements;
3. the Company can determine the transaction price for the goods or services to be transferred. This is usually obtained from a quote, confirmed purchase order, or final sales order prepared in our truss and window design and quoting software;
4. the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract); and
5. the revenue is recognized when the performance obligation has been satisfied. All deliveries are Free On Board (FOB) and delivered within the same day. Revenue is recognized on day of delivery.

Revenue is recognized at a point in time when the Company satisfies the performance obligation by transferring the promised goods and services to the customer and the customer has taken control of the asset. There is no deferred revenue to be disclosed during the year.

A customer obtains control of an asset at a point in time when:

- the Company has transferred physical possession of the asset;
- a customer has accepted the asset;
- a customer has legal title to the asset; and
- a customer has the significant risks and rewards related to the ownership of the asset.

Revenue is measured at the amount of the transaction price that is allocated to that performance obligation. The transaction price (which excludes estimates of constrained variable consideration) that is allocated to each performance obligation is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Company recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as customer deposits in the consolidated statement of financial position.

No element of financing is deemed present as the sales are made with credit terms standard for the market. Historically, the Company’s annual returns for products sold have been negligible as the product is customized to each customer and returns are not authorized. No value has been assigned for returns given the negligible value. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Where possible, the Company will apply the practical expedient not to disclose the transaction price for unsatisfied performance if the performance obligation is part of a contract that has an original expected duration of one year or less. The Company does not expect to have any contracts where the period between the transfer of the promised goods and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

2. Significant Accounting Policies (continued)

Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

Income tax

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive loss or directly in equity, in which case it is recognized in other comprehensive loss or in equity, respectively. Taxes and withholding taxes are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to taxable income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Significant Accounting Policies (continued)

Earnings per share

Earnings per share is calculated by dividing the net income for the period available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity only when such conversion would have a dilutive effect on income. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted.

The criteria used to determine if there is objective evidence of an impairment loss include significant financial difficulty of the other party, default or delinquency in payments, or it has become probable that the customer will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Share-based payments

Common shares issued for non-monetary consideration are recorded at the fair value of the goods or services received. The Company has a stock option plan and warrants, whereby stock options and warrants are granted in accordance with the policies of regulatory authorities. The Company records a compensation cost attributable to all share purchase options and warrants granted at fair value at the grant date using the Black-Scholes valuation model and the fair value of all share purchase options and warrants are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options and warrants, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

When the value of goods or services received in exchange for share-based payments cannot be reliably estimated, the value is measured by reference to the trading price of the Company’s shares on the TSX Venture Exchange.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

2. Significant Accounting Policies (continued)

Financial instruments

a) Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectation of recovering the contractual cash flows of a financial asset.

b) Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and,
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost; or,
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives).

If the Company was to optionally designate a financial liability in other comprehensive income (“OCI”) then the Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company’s financial assets consist of cash and accounts receivable, which are classified and subsequently measured at amortized cost. The Company’s financial liabilities consists of bank indebtedness, accounts payable and accrued liabilities, customer deposits, and long-term debt which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in profit and loss.

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

Financial instruments (continued)

c) Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Accounting Standards Adopted

The International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform — Phase 2. The amendments are effective for annual periods beginning on or after January 1, 2021. The changes in Interest Rate Benchmark Reform — Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. The implementation of this amendment did not have a significant impact on the Company.

Accounting Standards Issued Not Yet Effective

There are no accounting standards, amendments, or interpretations to existing standards issued but not yet effective which are expected to have a material impact on the Company's consolidated financial statements.

3. Accounts receivable

Trade and other receivables were as follows:

	December 31, 2021	December 31, 2020
	$	$
Trade accounts receivable	6,681,064	5,063,346
Other receivables	55,714	356,610
Loss allowance	(5,866)	(2,844)
	6,730,912	5,417,112

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 year ended December 31, 2021, the estimated credit loss amounted to $5,866 (December 31, 2020 - $2,844).

(Expressed in Canadian dollars)

4. Inventories

	December 31, 2021	December 31, 2020
	$	$
Raw materials	2,514,687	1,772,506
Work in progress	135,071	106,283
Finished goods	720,682	375,491
	3,370,440	2,254,280

During the year ended December 31, 2021, $25,128,310 (December 31, 2020, $17,240,325) in raw materials was expensed through cost of sales. It was determined that there was no requirement to write down any raw materials, work in progress, or finished goods inventory during the year ended December 31, 2021.

5. Assets held for sale

As of February 2021, the Company no longer manufactured 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 at the time of transition was $94,078 in production equipment and $170,209 in inventory.

The carrying values as at December 31, 2021 and 2020 was as follows:

	December 31, 2021	December 31, 2020
	$	$
Equipment	69,954	-
Inventory	-	-
	69,954	-

During the year ended December 31, 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 continue to sell the remaining equipment during fiscal 2022. The remaining window inventory was either returned for a refund of $7,003, used for some service requirements, or written down to zero by management as it was unsellable or unreturnable. The write off to loss on disposal of assets was $163,206.

(Expressed in Canadian dollars)

6. 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, 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	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
Accumulated depreciation							
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	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
Carrying amount at December 31, 2020	4,046,479	84,510	1,392,420	2,437,866	70,748	93,892	8,125,915
Carrying amount at December 31, 2021	4,339,873	79,473	1,039,129	2,840,016	83,280	86,342	8,468,113

Depreciation for tangible assets during the year ended December 31, 2021 was $2,035,690 (December 31, 2020 - $2,172,663). During the year ended December 31, 2021, $1,384,960 (December 31, 2020 - $1,348,358) of the depreciation was included in cost of sales.

(Expressed in Canadian dollars)

6. 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 years ended December 31, 2021 and 2020.

	Building	Office Furniture and Equipment	Vehicles	Production Equipment	Total
	$	$	$	$	$
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)	-	(55,067)	-	(111,450)
Depreciation charge for the period	(882,782)	-	(134,707)	-	(1,017,489)
Balance, December 31, 2021	2,168,473	-	227,528	-	2,396,001

7. Intangible assets

	Customer Relationships	Brand	Certifications	Non-Compete Agreements	Total
	$	$	$	$	$
Cost					
Balance, December 31, 2019	4,039,000	1,206,000	142,000	477,000	5,864,000
Additions	175,000	-	-	-	175,000
Impairment			(142,000)		(142,000)
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
Accumulated amortization					
Balance, December 31, 2019	463,502	130,180	17,745	101,681	713,108
Additions	411,188	120,612	14,196	95,400	641,396
Impairment	-	-	(31,941)	-	(31,941)
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
Carrying amount at December 31, 2020	3,339,310	955,208	-	279,919	4,574,437
Carrying amount at December 31, 2021	2,917,914	834,596	-	184,519	3,937,029

As at December 31, 2021, the Company completed an annual assessment of the intangible assets and determined there were no circumstances leading to an impairment of these intangible assets.

(Expressed in Canadian dollars)

8. Goodwill

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

	Clinton	Satellite	Pacer	SC	Total
	$	$	$	$	$
Cost					
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	-	-	-	-	-
Balance, December 31, 2021	474,428	136,446	2,284,327	883,275	3,778,476

The value-in-use impairment tests performed were based on the Company's internal forecasts and represent management's best estimates at a specific point in time, and as a result are subject to measurement uncertainty. In arriving at its estimated future cash flows, the Company considered past experience, economic trends and industry trends. The key assumptions used in the impairment tests include a projected revenue growth rate of 2% each of the first five years and an applied perpetual long-term growth rate of 2% thereafter, with gross margins ranging from 32% to 39%. A discount rate of between 21.5%-25% and 11.2%-14.5% has been applied to the expected cash flow, after adjusting the cash flow for an estimate of the taxes and capital maintenance expenditures.

The most sensitive inputs to the value-in-use models are the revenue growth rates, gross margin, and discount rates. A reasonable change in the revenue growth rates and discount rates did not result in an impairment for any of the CGUs. There was no material impact of the sensitivity analyses on the recoverable amounts of the Company's other CGUs.

9. Income taxes

The tax expense differs from the theoretical amount that would arise using the tax rate applicable to profits of the Company for the year ended December 31, 2021 and 2020 as follows:

	December 31, 2021	December 31, 2020
	$	$
Income for the year before income tax	9,305,345	345,293
Average statutory rate	27.00%	27.00%
Estimated income tax payable	2,512,443	93,229
Difference in tax rates	(113,695)	1,165
Items not deductible for tax purposes	31,562	26,662
Change in estimate	(79,313)	(4,749)
Recognition of previously unrecognized tax benefits	-	-
Income tax expense	2,350,997	116,307

(Expressed in Canadian dollars)

9. Income taxes (continued)

The breakdown of the income tax expense during the year is as follows:

	December 31, 2021	**December 31, 2020**
	$	$
Current income tax expense	1,611,394	215,153
Deferred tax expense (recovery)	739,603	(98,846)
Total income tax expense	2,350,997	116,307

The significant components of the Company's net deferred tax assets and liabilities are as follows:

	December 31, 2021	**December 31, 2020**
	$	$
Deferred tax assets		
Lease obligations	628,700	534,221
Capital loss carry forwards	87,419	87,419
Non-capital loss carry forwards	313,427	1,143,385
Building and Equipment	22,207	9,559
Intangibles	6,693	907
Share issue costs	90,998	101,516
	1,149,444	1,877,007
Offset against deferred tax liabilities	(772,584)	(948,820)
Unrecognized deferred tax assets	(87,419)	(87,419)
Deferred tax assets	289,441	840,768
Deferred tax liabilities		
Buildings and equipment	(1,478,941)	(1,318,176)
Brand and customer relationships	(966,123)	(1,114,849)
Offset against deferred tax assets	772,584	948,821
Deferred tax liabilities	(1,672,480)	(1,484,204)
Net deferred tax balance	(1,383,039)	(643,436)

The Company has non-capital losses of approximately $1,346,306 at December 31, 2021, which are available to be carried forward and can be used to offset future taxable income. These non-capital losses expire as follows:

Expiry Date	**Amount**
	$
December 31, 2038	40,662
December 31, 2039	287,325
December 31, 2040	490,284
December 31, 2041	528,035
	1,346,306

(Expressed in Canadian dollars)

10. Accounts payable and accrued liabilities

	December 31, 2021	December 31, 2020
	$	$
Trade accounts payable	1,293,663	1,938,610
Sales taxes payable	407,539	193,312
Salaries and vacation payable	386,386	490,840
Other accounts payable	102,626	129,512
Accrued liabilities	858,548	302,793
	3,048,762	3,055,067

11. Intangible liability

	Over-Market Lease Agreement	Total
	$	$
Cost		
Balance, December 31, 2019	172,000	172,000
Additions	-	-
Balance, December 31, 2020	172,000	172,000
Additions	-	-
Balance, December 31, 2021	172,000	172,000
Accumulated amortization		
Balance, December 31, 2019	37,271	37,271
Additions	34,404	34,404
Balance, December 31, 2020	71,675	71,675
Additions	34,404	34,404
Balance, December 31, 2021	106,079	106,079
Carrying amount at December 31, 2020	100,325	100,325
Carrying amount at December 31, 2021	65,921	65,921

Amortization for intangible liability during the year ended December 31, 2021 was $34,404 (December 31, 2020 - $34,404).

As at December 31, 2021, the Company completed an annual assessment of the intangible liability and determined there were no circumstances leading to an adjustment of the intangible liability.

(Expressed in Canadian dollars)

12. Lease obligations

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

	December 31, 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).	1,083,687	-
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.	1,119,829	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.	109,454	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.	20,414	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	22,519	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.	63,447	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	2,419,350	2,227,124
Current portion	(989,229)	(877,228)
Non-current portion	1,430,121	1,349,896

(Expressed in Canadian dollars)

12. Lease obligations (continued)

The following is a schedule of the total lease payments made during the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
	$	$
Principal payment	1,047,073	1,362,161
Interest expense	180,305	185,875
Total lease payments	1,227,378	1,548,036

During the year ended December 31, 2021 a building lease was renewed under a right-of-use asset for $1,314,392 (December 31, 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:

	December 31, 2021
	$
2022	1,112,506
2023	909,944
2024	306,000
2025	312,000
Total minimum lease payments	2,640,450
Less: imputed interest	(221,100)
Total present value of minimum lease payments	2,419,350

During the year ended December 31, 2021 – the Company entered into a low value lease for office equipment for $3,366 (December 31, 2020 – a low value lease for multiple office equipment items for $15,816).

(Expressed in Canadian dollars)

13. Long-term debt

The long-term debt consists of the following:

	December 31, 2021	December 31, 2020
	$	$
BDC loan[1]	825,174	869,778
BDC loan[2]	929,280	1,098,240
Scotiabank assumed loan[3]	23,518	33,249
Saw financing[4]	73,082	198,366
TD term loan[5]	4,156,511	4,800,000
TD term loan[6]	963,091	-
	6,970,656	6,999,633
Less current portion of term debt	(951,983)	(1,044,734)
Total long-term portion of term debt	6,018,673	5,954,899

1. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at Dec 31, 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 Dec 31, 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 Dec 31, 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 Dec 31, 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 Dec 31, 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.
6. A term loan with a major Canadian bank bearing interest at a floating rate (2.45% as at Dec 31, 2021) 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.

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 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.

(Expressed in Canadian dollars)

13. Long-term debt (continued)

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 December 31, 2021, 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 year ended December 31, 2021 the Company purchased for cancellation 315,500 of shares pursuant to its NCIB for a total of $178,128. The Company’s share capital was reduced by the average carrying value of shares repurchased for cancellation.

On November 25, 2021, 25,000 warrants were exercised at $0.60 for 25,000 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.

The Company’s share options outstanding as at December 31, 2021 and December 31, 2020 and the changes for the years 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	(672,500)	0.32
Balance as at December 31, 2021	2,712,500	0.45

The total share-based payments recorded during the year ended December 31, 2021 was $91,141 (December 31, 2020 - $85,798).

(Expressed in Canadian dollars)

14. Share capital (continued)

c) Options (continued)

The following table summarizes information about the share options outstanding as at December 31, 2021:

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	0.85	$0.49	1,200,000	November 8, 2022
$0.60	450,000	1.10	$0.60	450,000	February 5, 2023
$0.53	87,500	1.14	$0.53	87,500	February 21, 2023
$0.30	525,000	2.17	$0.30	525,000	March 3, 2024
$0.49	100,000	4.01	$0.49	33,333	January 4, 2026
$0.29	350,000	4.30	$0.29	116,662	April 21, 2026
$0.45	2,712,500	1.72	$0.45	2,412,495	

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 4, 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 had approved a one year extension to this term. Their updated expiry dates were October 31, 2021 and December 3, 2021 and any unexercised warrants have been forfeited.

(Expressed in Canadian dollars)

14. Share capital (continued)

d) Warrants (continued)

The Company's warrants outstanding as at December 31, 2021 and 2020 and the changes for the years 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	-	-
Exercised	(25,000)	0.60
Forfeited	(5,140,000)	0.60
Balance as at December 31, 2021	12,148,019	0.60

The total warrant reserve recorded for the years ended December 31, 2021 was $Nil (December 31, 2020: $Nil).

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 years ended December 31, 2021 and 2020 is as follows.

Year ended December 31, 2021

	Trusses	Engineered wood products	Windows	Walls	Total
	$	$	$	$	$
Total revenue	42,543,218	12,111,414	84,723	258,507	54,997,862

Year ended December 31, 2020

	Trusses	Engineered wood products	Windows	Walls	Total
	$	$	$	$	$
Total revenue	27,555,261	6,720,750	1,273,746	184,658	35,734,415

(Expressed in Canadian dollars)

16. Cost of sales

Cost of sales for the years ended December 31, 2021 and 2020 is as follows:

	December 31, 2021	December 31, 2020
	$	$
Materials	25,238,309	17,307,811
Labour	9,553,894	7,879,036
Maintenance and overhead	2,667,763	1,902,190
Depreciation and amortization	1,384,960	1,348,358
Total cost of sales	38,844,926	28,437,395

17. Other income

Other income for the years ended December 31, 2021 and 2020 is as follows:

	December 31, 2021	December 31, 2020
	$	$
Interest earned and other	26,337	19,429
Sales tax commissions	5,422	5,702
Canada emergency wage subsidy	-	584,366
Total other income	31,759	609,497

The Canada Emergency Wage Subsidy (CEWS) program was established by the Government of Canada to reimburse eligible employers who have experienced a required reduction in revenue for a portion of employee wage costs during the pandemic. For the year ended December 31, 2020, the Company assessed and recognized claims under the CEWS program of $584,366. The CEWS receipts have been recognized in other income within the Company’s consolidated statement of net income (loss) and comprehensive income (loss). All funds were received by the year ended December 31, 2020.

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.

(Expressed in Canadian dollars)

18. Related party transactions (continued)

The Company incurred the following charges as part of the Company's consolidated statement of income and comprehensive income during the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
	$	$
Salaries and benefits	1,073,451	1,286,833
Management fees	54,600	267,400
Administrative and office	125,050	109,500
Finance charge on lease obligations[1]	63,295	9,727
Share-based payments	91,141	80,834
Total related party transactions	1,407,537	1,754,294

Due from/to related parties

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

	December 31, 2021	December 31, 2020
	$	$
Due from related party		
Accounts receivable	-	36,391
Total due from related party	-	36,391
Due to related parties		
Accounts payable and accrued liabilities	(19,767)	(115,066)
Lease obligation (Note 12)[1]	(1,083,687)	(21,888)
Total due to related parties	(1,103,454)	(136,954)

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 years ended December 31, 2021 and 2020, the Company had the following non-cash investing and financing activities:

Year ended December 31, 2021

- A building lease was renewed under a right-of-use asset for $1,314,392. 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 $2,991 to reflect a change in the base rent effective July 2021.
- A vehicle lease expired and the assets were bought. As a result, the residual lease obligation had to be adjusted by $19,067.
- A vehicle lease expired and the assets were bought. As a result, the residual lease obligation had to be adjusted by 9,325.

(Expressed in Canadian dollars)

19. Supplemental cash flow information (continued)

Year ended December 31, 2020

- A building lease was entered into under as a right-of-use asset for $200,809.

20. 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, 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

	Long-term debt	Lease obligations	Total
	$	$	$
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
Balance December 31, 2020	6,999,633	2,227,124	9,226,757

21. Financial instruments

Classification of financial instruments

The Company's financial instruments consist of cash, trade accounts receivable, bank indebtedness, 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 bank indebtedness, 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.

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.

Market risk (continued)

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 during fiscal 2022.

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 December 31, 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 $16,655 over the next 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 for the years ended December 31, 2021 and 2020 summarized below:

	December 31, 2021	December 31, 2020
	$	$
Classes of financial assets – carrying amounts		
Cash and cash equivalents	8,947,182	1,816,989
Trade accounts receivable, net of loss allowance	6,675,198	5,060,502
	15,622,380	6,877,491

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 an 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.

(Expressed in Canadian dollars)

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 December 31, 2021 and December 31, 2020 is summarized below:

	December 31, 2021	December 31, 2020
	$	$
Trade accounts receivable, net of loss allowance		
Current	3,920,669	3,149,790
Past due 1 to 30 days	1,422,835	1,347,546
Past due 31 to 60 days	381,704	283,509
Past due over 60 days	949,990	279,657
	6,675,198	5,060,502

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

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

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
Loss allowance	-	-	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.

(Expressed in Canadian dollars)

21. Financial instruments (continued)

Liquidity risk (continued)

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 2.85:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

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

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
Total	4,419,505	1,113,346	6,846,939	1,636,661

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.

(Expressed in Canadian dollars)

22. Management of capital (continued)

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

	December 31, 2021	December 31, 2020
	$	$
Long-term debt	6,970,656	6,999,633
Lease obligations	2,419,350	2,227,124
Less: Cash and cash equivalents	(8,947,182)	(1,816,989)
Net debt	442,824	7,409,768
Total equity	19,812,643	12,930,281
	20,255,467	20,340,049

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.

23. Subsequent events

a) Options

As of January 4, 2022, the Company granted 425,000 options that can be exercised at $0.60 per common share. These options follow the share purchase plan of the Company. The fair value estimation of these options is $336,669 after taking into account a forfeiture rate of 22.84% based on actual forfeiture history.

b) Warrant exercise

The Company had 12,148,019 warrants set to expire on February 6, 2022. 2,102,819 warrants were exercised at an exercise price of $0.60 per warrant for gross proceeds of $1,261,691. The remaining warrants have expired.

c) Normal Course Issuer Bid

Subsequent to the year ended December 31, 2021, the Company purchased for cancellation an additional 323,000 of shares pursuant to its NCIB for a total of $187,245.

d) Acquisition of Hi-Tec Industries Ltd.

On February 28, 2022, the Company completed its acquisition of Hi-Tec Industries Ltd. ("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 will also be calculated and finalized within 60 days of closing. 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.

In accordance with IFRS 3, the Hi-Tec acquisition will be accounted for as a business combination. Due to the recent nature of the transaction, the PPA calculations are still preliminary and have not been finalized.