

AEP

ATLAS ENGINEERED
PRODUCTS

Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022
(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, 2023 and 2022
(Unaudited - expressed in Canadian dollars)

	Note	Three Months Ended September 30, 2023	September 30, 2022	Nine Months Ended September 30, 2023	September 30, 2022
		\$	\$	\$	\$
Revenue	15	14,369,546	17,638,289	35,216,250	46,909,032
Cost of sales	16	(10,111,245)	(11,473,688)	(24,703,881)	(32,114,233)
Gross profit		4,258,301	6,164,601	10,512,369	14,794,799
Operating expenses					
Administrative and office	17	526,870	449,194	1,708,941	1,336,736
Depreciation and amortization	7, 8, 11	378,137	306,813	1,084,639	888,466
Bad debt (recovery) expense		(8,260)	2,773	(8,868)	3,234
Professional fees		283,085	134,065	491,259	356,493
Salaries and benefits	17	939,952	825,751	2,809,956	2,467,919
Share-based payments	14(c), 17	88,274	54,697	428,859	196,501
Operating profit		2,050,243	4,391,308	3,997,583	9,545,450
Other income		177,409	52,182	575,843	104,624
Interest expense		(399,029)	(154,913)	(807,486)	(363,612)
Finance charge on leases	12, 17	(18,507)	(31,546)	(63,231)	(105,775)
Foreign exchange loss		(585)	(2,667)	(1,238)	(10,938)
Gain (loss) on disposal of assets		-	-	16,267	(10,154)
Income before income tax		1,809,531	4,254,364	3,717,738	9,159,595
Income taxes					
Current income tax expense		(633,001)	(1,186,773)	(1,400,102)	(2,628,845)
Deferred income tax recovery		124,221	64,021	312,651	208,281
		(508,780)	(1,122,752)	(1,087,451)	(2,420,564)
Net income and comprehensive income for the period		1,300,751	3,131,612	2,630,287	6,739,031
Income per share					
Basic		0.02	0.05	0.05	0.11
Diluted		0.02	0.05	0.04	0.11
Weighted average number of shares outstanding					
Basic		58,087,214	59,215,310	57,757,016	59,016,124
Diluted		60,953,880	62,522,810	60,693,108	63,936,132

Atlas Engineered Products Ltd.
Condensed Interim Consolidated Statements of Cash Flows
For the three and nine months ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Operating activities				
Net income for the period	1,300,751	3,131,612	2,630,287	6,739,031
Depreciation and amortization	811,823	709,646	2,315,041	2,036,960
Unrealized foreign exchange loss	76	-	-	-
Deferred tax recovery	(124,221)	(64,021)	(312,651)	(208,281)
(Gain) loss on disposal of assets	-	-	(16,267)	10,154
Share-based payments	88,274	54,697	428,859	196,501
Changes in non-cash working capital items:				
Accounts receivable	319,131	(987,156)	122,921	(1,238,887)
Inventories	590,964	1,072,745	632,462	(1,783,813)
Prepaid expenditures	26,246	(5,209)	60,134	62,844
Deposits	1,100,000	(321,191)	216,985	(338,517)
Accounts payable and accrued liabilities	(882,908)	22,170	(414,544)	695,654
Customer deposits	(295,309)	(416,898)	(244,511)	522,865
Corporate income taxes receivable	(222,749)	-	(1,320,153)	-
Corporate income taxes payable	-	558,933	(912,371)	58,488
Cash provided by operations	2,712,078	3,755,328	3,186,192	6,752,999
Investing activities				
Acquisition of buildings and equipment	(51,516)	(116,756)	(573,600)	(3,587,385)
Proceeds from disposition of equipment	-	-	24,000	-
Proceeds from assets held for sale	-	-	-	20,000
LCF acquisition net of cash acquired (Note 3)	(23,888,805)	-	(23,888,805)	-
Hi-Tec acquisition net of cash acquired (Note 4)	-	-	-	(5,940,423)
Cash used in investing activities	(23,940,321)	(116,756)	(24,438,405)	(9,507,808)
Financing activities				
Repayment of principal lease obligations (Note 12)	(268,211)	(264,511)	(774,577)	(765,827)
Repayment of long-term debt (Note 13)	(9,144,499)	(462,303)	(10,062,764)	(1,271,193)
Proceeds from long-term debt (Note 13)	31,094,000	-	31,094,000	8,237,500
Shares repurchased for cancellation (Note 14b)	(1,026)	(326,096)	(270,771)	(759,075)
Proceeds from warrants exercised (Note 14d)	-	-	-	1,261,691
Proceeds from stock option exercise (Note 14b)	-	-	152,001	9,000
Cash provided by (used in) financing activities	21,680,264	(1,052,910)	20,137,889	6,712,096
(Decrease) increase in cash	452,021	2,585,662	(1,114,324)	3,957,287
Cash - beginning of period	14,552,256	10,318,807	16,118,601	8,947,182
Cash - end of period	15,004,277	12,904,469	15,004,277	12,904,469
Cash paid during the period for:				
Interest	417,536	186,459	870,717	469,387
Income taxes	855,946	935,940	3,632,822	2,878,457

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 (Note 14)	Share Capital (Note 14)	Contributed Surplus (Note 14)	Retained Earnings	Total
		\$	\$	\$	\$
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	(1,550,500)	(759,074)	-	-	(759,074)
Warrants exercised	2,102,819	1,261,691	-	-	1,261,691
Stock options exercised	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
Share-based payments	-	-	57,867	-	57,867
Shares repurchased for cancellation	(1,335,786)	(952,763)	-	-	(952,763)
Stock options exercised	850,000	792,182	(375,681)	-	416,501
Net income for the period	-	-	-	2,091,306	2,091,306
Balance, December 31, 2022	57,847,263	19,426,569	1,393,934	8,052,200	28,872,703
Share-based payments	-	-	428,859	-	428,859
Shares issued on acquisitions	1,754,384	2,000,000	-	-	2,000,000
Shares repurchased for cancellation (Note 14b)	(738,900)	(270,771)	-	-	(270,771)
Stock options exercised (Note 14b)	253,334	271,596	(119,595)	-	152,001
Net income for the period	-	-	-	2,630,287	2,630,287
Balance, September 30, 2023	59,116,081	21,427,394	1,703,198	10,682,487	33,813,079

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, 2023 and 2022

(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, Ontario and New Brunswick 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. 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, 2023.

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 27, 2023.

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”) and Leon Chouinard & Fils Co. Ltd. (“LCF”). 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, 2023 and 2022
(Unaudited - expressed in Canadian dollars)

3. Acquisition of LCF

On August 23, 2023, the Company completed its acquisition of LCF whereby the Company acquired all the issued and outstanding shares of LCF for \$26,000,000 in cash and stock. An initial excess working capital was calculated at \$2,884,737 and paid in cash. A closing working capital adjustment will also be calculated and finalized subsequent to closing. 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.

LCF is located in Eel River Crossing, NB. LCF, a manufacturer of roof, floor trusses and wall panels and a supplier of engineered wood products aligns with the core business of the Company. The acquisition has given the Company access to the Maritimes in Eastern Canada which aligns with the Company's goals of having locations across Canada to take advantage of the housing markets which can vary across the Country. Additionally, the Company gains access to greater resources and knowledge for the production of wall panels which it can use to support wall panel operations in Ontario and BC.

In accordance with IFRS 3, the LCF acquisition will be accounted for as a business combination. The purchase price allocation as at Sept 30, 2023 has been estimated as follows:

Category	\$
Cash	24,000,000
Shares	2,000,000
Working capital - initial	2,884,737
Total consideration	28,884,737
Cash	2,995,932
Accounts receivable	2,532,136
Income taxes receivable	560,466
Inventories	3,639,122
Prepaid expenditures	111,640
Buildings and equipment	3,817,391
Goodwill	18,801,335
Accounts payable and accrued liabilities	(2,198,203)
Customer deposits	(767,672)
Deferred tax liability	(607,410)
	28,884,737

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 to be finalized and agreed upon. The equipment appraisal is pending completion, and the net book value has been used initially. The valuation of the intangible assets has also not been completed.

If the acquisition had occurred at January 1, 2023 then the revenues would have been \$13,105,983 The following table shows the results of the operations of LCF since the acquisition date.

	LCF
	Aug 23 – Sept 30, 2023
	\$
Sales per consolidated financial statements	2,793,816
Income before tax	1,085,013
Income tax expense	200,348
Income for the period	884,665

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian dollars)

4. 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 fair value of the identifiable assets acquired included \$1.45 million in intangible assets, which primarily relate to customer relationships and a non-compete agreement. Management applied significant judgment in estimating the fair value of the intangible assets. To estimate the fair value of the intangible assets, management used the multi-period excess earnings method to value customer relationships and the with and without method to value the non-compete agreement using discounted cash flow models. Management developed significant assumptions related to revenue, gross margin, EBITDA forecasts, customer retention rates, and discount rates. 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.

The acquisition 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.

In accordance with IFRS 3, the Hi-Tec acquisition was accounted for as a business combination. The purchase price allocation is finalized 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
Prepaid expenditures	24,383
Buildings and equipment	1,554,600
Intangible assets	1,453,000
Goodwill	2,956,023
Accounts payable and accrued liabilities	(509,026)
Deferred tax liability	(779,923)
	6,254,981

If the acquisition had occurred on January 1, 2022 then the revenues would have been \$6,509,368. The following table shows the results of the operations of Hi-Tec since the acquisition date.

	Hi-Tec	Hi-Tec
	Jan 1 – Sept 30, 2023	Feb 28 – Dec 31, 2022
	\$	\$
Revenue per consolidated financial statements	4,089,500	5,424,473
Income before tax	839,224	1,149,775
Income tax (recovery) expense	(13,824)	118,397
Income for the period	853,048	1,031,378

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian dollars)

5. Accounts receivable

Trade and other receivables were as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Trade accounts receivable	8,205,344	5,790,022
Other receivables	31,952	39,926
Loss allowance	(3,047)	(4,914)
	8,234,249	5,825,034

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, 2023, the estimated credit loss amounted to \$3,047 (December 31, 2022 - \$4,914).

6. Inventories

	September 30, 2023	December 31, 2022
	\$	\$
Raw materials	5,985,629	3,962,770
Work in progress	223,955	206,834
Finished goods	1,388,757	422,077
	7,598,341	4,591,681

During the three and nine months ended September 30, 2023, \$5,758,210 and \$13,916,810 (September 30, 2022 - \$7,131,429 and \$20,325,590) 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, 2023.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian dollars)

7. Buildings and equipment

	Land and Buildings	Office Equipment, Signage and Land improv	Vehicles	Production Equipment	Computer Equipment and Software	Investment tax credits and Subsidies	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, December 31, 2021	6,667,473	462,158	2,676,255	5,603,403	344,764	-	15,754,053
Additions	3,805,084	21,762	123,084	63,451	61,438	-	4,074,819
Additions through business combination	-	9,500	331,400	1,210,400	3,300	-	1,554,600
Disposals	-	(8,843)	(172,737)	-	-	-	(181,580)
Balance, December 31, 2022	10,472,557	484,577	2,958,002	6,877,254	409,502	-	21,201,892
Additions	3,903,156	4,831	47,783	474,425	36,580	-	4,466,775
Additions through business combination	2,792,000	65,494	533,723	946,234	36,493	(556,553)	3,817,391
Disposals	-	-	-	(25,000)	-	-	(25,000)
Balance, September 30, 2023	17,167,713	554,902	3,539,508	8,272,913	482,575	(556,553)	29,461,058
Accumulated depreciation							
Balance, December 31, 2021	2,327,600	296,343	1,637,126	2,763,387	261,484	-	7,285,940
Additions	1,027,260	25,945	369,957	695,381	34,694	-	2,153,237
Disposals	-	(8,625)	(113,413)	-	-	-	(122,038)
Balance, December 31, 2022	3,354,860	313,663	1,893,670	3,458,768	296,178	-	9,317,139
Additions	826,214	19,467	266,821	564,033	28,335	(8,054)	1,696,816
Disposals	-	-	-	(17,267)	-	-	(17,267)
Balance, September 30, 2023	4,181,074	333,130	2,160,491	4,005,534	324,513	(8,054)	10,996,688
Carrying amount at December 31, 2022	7,117,697	86,050	1,064,332	3,418,486	113,324	84,864	11,884,753
Carrying amount at September 30, 2023	12,986,639	221,772	1,379,017	4,267,379	158,062	(548,499)	18,464,370

Depreciation for tangible assets during the three and nine months ended September 30, 2023 was \$606,268 and \$1,696,816 (September 30, 2022 - \$558,895 and \$1,584,707). During the three and nine months ended September 30, 2023, \$433,686 and \$1,230,402 (September 30, 2022 - \$402,833 and \$1,148,494) of the depreciation was included in cost of sales. The Investment tax credits and subsidies are related to different assets and projects. They are depreciated based on the asset's rates on a declining bases.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(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, 2023 and December 31, 2022.

	Building	Vehicles	Total
	\$	\$	\$
Balance, December 31, 2021	2,168,473	227,528	2,396,001
Additions	367,772	-	367,772
Disposals, net	-	(185,184)	(185,184)
Depreciation charge for the year	(908,325)	(42,344)	(950,669)
Balance, December 31, 2022	1,627,920	-	1,627,920
Additions	3,893,175	-	3,893,175
Disposals, net	-	-	-
Depreciation charge for the period	(713,393)	-	(713,393)
Balance, September 30, 2023	4,807,702	-	4,807,702

8. Intangible assets

	Customer Relationships	Brand	Non-Compete Agreements	Total
	\$	\$	\$	\$
Cost				
Balance, December 31, 2021	4,214,000	1,206,000	477,000	5,897,000
Additions	682,000	-	771,000	1,453,000
Impairment	-	-	-	-
Balance, December 31, 2022	4,896,000	1,206,000	1,248,000	7,350,000
Additions	-	-	-	-
Impairment	-	-	-	-
Balance, September 30, 2023	4,896,000	1,206,000	1,248,000	7,350,000
Accumulated amortization				
Balance, December 31, 2021	1,296,086	371,404	292,481	1,959,971
Additions	478,226	120,612	223,900	822,738
Impairment	-	-	-	-
Balance, December 31, 2022	1,774,312	492,016	516,381	2,782,709
Additions	367,205	90,381	186,442	644,028
Impairment	-	-	-	-
Balance, September 30, 2023	2,141,517	582,397	702,823	3,426,737
Carrying amount at December 31, 2022	3,121,688	713,984	731,619	4,567,291
Carrying amount at September 30, 2023	2,754,483	623,603	545,177	3,923,263

Amortization for intangible assets during the three and nine months ended September 30, 2023 was \$214,156 and \$644,028 (September 30, 2022 - \$159,352 and \$478,056).

As at September 30, 2023, 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, 2023 and 2022
(Unaudited - expressed in Canadian dollars)

9. Goodwill

The following summarizes the Company's goodwill as at September 30, 2023 and December 31, 2022.

	Clinton	Satellite	Pacer	SC	Hi-Tec	LCF	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, December 31, 2021	474,428	136,446	2,284,327	883,275	-	-	3,778,476
Additions	-	-	-	-	2,956,023	-	2,956,023
Balance, December 31, 2022	474,428	136,446	2,284,327	883,275	2,956,023	-	6,734,499
Additions	-	-	-	-	-	18,801,335	18,801,335
Balance, September 30, 2023	474,428	136,446	2,284,327	883,275	2,956,023	18,801,335	25,535,834

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, 2023.

10. Accounts payable and accrued liabilities

	September 30, 2023	December 31, 2022
	\$	\$
Trade accounts payable	1,982,729	573,251
Sales taxes payable	536,186	356,162
Salaries and vacation payable	804,219	488,603
Other accounts payable	52,951	112,353
Accrued liabilities	1,243,571	1,305,627
	4,619,656	2,835,996

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian dollars)

11. Intangible liability

	Over-Market Lease Agreement	Total
	\$	\$
Cost		
Balance, December 31, 2021	172,000	172,000
Additions	-	-
Balance, December 31, 2022	172,000	172,000
Additions	-	-
Balance, September 30, 2023	172,000	172,000
Accumulated amortization		
Balance, December 31, 2021	106,079	106,079
Additions	34,404	34,404
Balance, December 31, 2022	140,483	140,483
Additions	25,803	25,803
Balance, September 30, 2023	166,286	166,270
Carrying amount at December 31, 2022	31,517	31,517
Carrying amount at September 30, 2023	5,714	5,714

Amortization for intangible liability during the three and nine months ended September 30, 2023 was \$8,601 and \$25,803 (September 30, 2022 - \$8,601 and \$25,803).

As at September 30, 2023, the Company completed an annual assessment of the intangible liability and determined there were no circumstances leading to an adjustment of the intangible liability.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited - expressed in Canadian dollars)

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, 2023 and December 31, 2022 are as follows:

	September 30, 2023	December 31, 2022
	\$	\$
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).	649,528	846,090
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. Renewal at 6.7% with monthly instalments of \$67,160. Maturing in October 2028.	3,772,778	544,221
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.	277,917	328,802
Building under right-of-use asset lease repayable in monthly instalments of \$6,543 inclusive of implied interest of 5.2% per annum, residual value of \$nil, maturing in July 2023. Renewal at 6.7% with monthly instalments of \$67,160. Maturing in July 2025.	179,648	42,160
Total lease obligation	4,879,871	1,761,273
Current portion	(933,831)	(918,593)
Non-current portion	3,946,040	842,680

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12. Lease obligations (continued)

The following is a schedule of the total lease payments made during the three and nine months ended September 30, 2023 and 2022:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Principal payment	268,211	264,511	774,577	765,827
Interest expense	18,507	31,546	63,231	105,775
Total lease payments	286,718	296,057	837,808	871,602

During the three and nine months ended September 30, 2023 the Company renewed two building leases for a total value of \$3,893,175 (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).

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, 2023
	\$
2023	343,035
2024	1,305,678
2025	1,287,085
2026	946,286
2027	932,828
2028	762,920
Total minimum lease payments	5,577,832
Less: imputed interest	(697,961)
Total present value of minimum lease payments	4,879,871

During the nine months ended September 30, 2023, the Company did not enter into any low value leases (September 30, 2022 – the Company entered into a low value lease for office equipment for \$4,740).

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13. Long-term debt

The long-term debt consists of the following:

	September 30, 2023	December 31, 2022
	\$	\$
BDC loan ¹	747,117	780,570
BDC loan ²	633,600	760,320
Scotiabank assumed loan ³	6,487	13,786
TD mortgage ⁴	2,283,125	2,356,250
TD term loan ⁵	28,758,334	-
TD mortgage ⁶	2,087,020	-
TD term loan ⁷	-	3,500,906
TD term loan ⁸	-	963,091
TD term loan ⁹	-	5,109,524
	34,515,683	13,484,447
Less current portion of term debt	(3,301,311)	(1,818,966)
Total long-term portion of term debt	31,214,372	11,665,481

1. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at September 30, 2023) 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, 2023) 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, 2023, 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. A mortgage with a major Canadian bank bearing interest at a floating rate (7.45% as at September 30, 2023) 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.
5. A term loan with a major Canadian bank bearing interest at a floating rate (7.45% as at September 30, 2023) repayable at \$241,667 per month with maturity August 2033. The term of the loan is 120 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
6. A mortgage with a major Canadian bank bearing interest at a floating rate (7.45% as at September 30, 2023) repayable at \$6,980 per month with maturity August 2048. 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.
7. A term loan with a major Canadian bank bearing interest at a floating rate (7.45% as at September 30, 2023) repayable at \$58,469 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.
8. A term loan with a major Canadian bank bearing interest at a floating rate (7.45% as at September 30, 2023) 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.
9. A term loan with a major Canadian bank bearing interest at a floating rate (7.45% as at September 30, 2023) 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. All 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)

On August 23, 2023, the Company entered in to an amended and restated credit facility agreement with TD Canada Trust. The agreement has four facilities. The first facility is an committed, revolving credit facility of \$7,500,000 and the second facility is a committed non-revolving reducing term credit facility which was used to finance the LCF acquisition and refinance previous facilities with TD noted as 7, 8, & 9 above. The third facility is a committed non-revolving reducing term credit facility used to mortgage the land and buildings of the LCF acquisition and the fourth facility is a committed, non-revolving reducing term credit facility which was used to mortgage the land and buildings of the Hi-Tec acquisition.

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. 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, 2023, the Company was in compliance with their covenants.

14. Share capital

a) Authorized

Unlimited common shares without par value.

b) Share capital transactions

On December 1, 2022, the Company renewed the Normal Course Issuer Bid (NCIB) which is effective until the earlier of December 1, 2023 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 4,732,015 of its outstanding common shares as at November 2, 2022 representing approximately 10% of the public float of shares outstanding at market prices.

During the nine months ended September 30, 2023 the Company purchased for cancellation 738,900 of shares pursuant to its NCIB for a total of \$270,771. The Company's share capital was reduced by the average carrying value of shares repurchased for cancellation.

On February 3, 2023, 200,000 options were exercised at \$0.60 for 200,000 common shares.

On February 6, 2023, 50,000 options were exercised at \$0.60 for 50,000 common shares.

On February 15, 2023, 3,334 options were exercised at \$0.60 for 3,334 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, 2023 and December 31, 2022 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price \$
Balance as at December 31, 2021	2,712,500	0.45
Granted	1,525,000	0.67
Exercised	(880,000)	0.48
Forfeited	(350,000)	0.49
Balance as at December 31, 2022	3,007,500	0.55
Granted	400,000	0.74
Exercised	(253,334)	0.60
Forfeited	(287,500)	0.58
Balance as at September 30, 2023	2,866,666	0.57

The total share-based payments recorded during the three and nine months ended September 30, 2023 was \$88,274 and \$428,859 (September 30, 2022 - \$54,696 and \$196,501).

The following table summarizes information about the share options outstanding as at September 30, 2023:

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
\$0.30	495,000	0.42	\$0.30	495,000	March 3, 2024
\$0.49	100,000	2.26	\$0.49	100,000	January 4, 2026
\$0.29	350,000	2.56	\$0.29	350,000	April 21, 2026
\$0.60	421,666	3.26	\$0.60	421,666	January 4, 2027
\$0.64	200,000	3.56	\$0.64	133,332	April 21, 2027
\$0.60	100,000	4.15	\$0.60	-	November 22, 2027
\$0.73	800,000	4.22	\$0.73	266,660	December 20, 2027
\$0.74	400,000	4.26	\$0.74	133,332	January 4, 2028
\$0.57	2,866,666	3.11	\$0.49	1,899,990	

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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
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%	22.85%	\$0.43
April 21, 2022	5.00	2.78%	Nil	67%	22.08%	\$0.37
November 22, 2022	5.00	3.23%	Nil	66%	20.58%	\$0.35
December 20, 2022	5.00	3.05%	Nil	66%	20.42%	\$0.42
January 4, 2023	5.00	3.25%	Nil	66%	20.03%	\$0.43

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, 2023 and December 31, 2022 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price
		\$
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 December 31, 2022	-	-
Granted	-	-
Exercised	-	-
Forfeited	-	-
Balance as at September 30, 2023	-	-

The total warrant reserve recorded for the three and nine months ended September 30, 2023 was \$Nil and \$Nil (September 30, 2022: \$Nil and \$Nil).

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15. Revenue

The Company has three distinct revenue streams: trusses, engineered wood products and walls. The Company's revenues by these revenue streams for the three and nine months ended September 30, 2023 and 2022 is as follows:

Three months ended September 30, 2023

	Trusses	Engineered wood products	Walls	Total
	\$	\$	\$	\$
Total revenue	10,616,815	2,872,357	880,374	14,369,546

Three months ended September 30, 2022

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

Nine months ended September 30, 2023

	Trusses	Engineered wood products	Walls	Total
	\$	\$	\$	\$
Total revenue	26,765,052	7,551,122	900,076	35,216,250

Nine months ended September 30, 2022

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

16. Cost of sales

Cost of sales for the three and nine months ended September 30, 2023 and 2022 is as follows:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Materials	5,781,061	7,226,250	13,982,087	20,423,653
Labour	2,914,554	3,026,305	7,103,518	8,279,844
Maintenance and overhead	981,943	818,300	2,387,873	2,262,242
Amortization	433,687	402,833	1,230,403	1,148,494
Total cost of sales	10,111,245	11,473,688	24,703,881	32,114,233

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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, Hi-Tec and LCF.

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, 2023 and 2022:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Salaries and benefits	191,211	183,290	1,087,049	973,775
Administrative and office	29,500	27,000	95,000	90,500
Finance charge on lease obligations	10,105	13,789	32,938	43,625
Share-based compensation	48,604	48,416	250,972	166,457
Total related party transactions	279,420	272,495	1,465,959	1,274,357

Due from/to related parties

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

	September 30, 2023	December 31, 2022
	\$	\$
Due from related party		
Accounts receivable and prepaid expenses	47	12,076
Total due from related party	47	12,076
Due to related parties		
Accounts payable and accrued liabilities	(16,603)	(23,372)
Lease obligation (Note 12) ¹	(649,528)	(846,090)
Total due to related parties	(666,131)	(869,462)

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, 2023 and 2022, the Company had the following non-cash investing and financing activities:

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18. Supplemental cash flow information (continued)

Three and nine months ended September 30, 2023

- A Building lease was renewed under a right-of-use asset for \$3,688,421.
- A Building lease was renewed under a right-of-use asset for \$204,754.

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.

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, 2022	13,484,447	1,761,273	15,245,720
Repayments	(10,062,764)	(774,577)	(10,837,341)
Issuance	31,094,000	-	31,094,000
Non-cash – lease obligation	-	3,893,175	3,893,175
Non-cash – lease adjustment	-	-	-
Balance September 30, 2023	34,515,683	4,879,871	39,395,554

	Long-term debt	Lease obligations	Total
	\$	\$	\$
Balance December 31, 2021	6,970,656	2,419,350	9,390,006
Repayments	(1,723,709)	(1,025,849)	(2,749,558)
Issuance	8,237,500	-	8,237,500
Non-cash – lease obligation	-	363,053	363,053
Non-cash – lease adjustment	-	4,719	4,719
Balance December 31, 2022	13,484,447	1,761,273	15,245,720

20. 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.

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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 the three and nine months ended September 30, 2023 but has previously and anticipates selling into the US again.

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, 2023, 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 \$245,611 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, 2023 and December 31, 2022 summarized below:

	September 30, 2023	December 31, 2022
	\$	\$
Classes of financial assets – carrying amounts		
Cash and cash equivalents	15,004,277	16,118,601
Trade accounts receivable, net of loss allowance	8,202,297	5,785,108
	23,206,574	21,903,709

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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, 2023 and December 31, 2022 is summarized below:

	September 30, 2023	December 31, 2022
	\$	\$
Trade accounts receivable, net of loss allowance		
Current	4,763,606	2,911,858
Past due 1 to 30 days	1,500,519	1,518,422
Past due 31 to 60 days	618,787	648,293
Past due over 60 days	1,319,385	706,535
	8,202,297	5,785,108

The loss allowance as at September 30, 2023 and December 31, 2022 was determined as follows for trade accounts receivable:

As at September 30, 2023

	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%	0.19%	0.04%
Trade accounts receivable	4,763,606	1,500,519	620,338	1,320,881	8,205,344
Loss allowance	-	-	1,551	1,496	3,047

As at December 31, 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%	0.46%	0.08%
Trade accounts receivable	2,911,858	1,518,422	649,918	709,824	5,790,022
Loss allowance	-	-	1,625	3,289	4,914

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 3.37:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

As at September 30, 2023, 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	668,174	650,279	4,259,378	-
Accounts payable and accrued liabilities	4,619,656	-	-	-
Income taxes payable	-	-	-	-
Long-term debt	2,904,437	2,852,984	24,698,636	19,200,604
Total	8,192,267	3,503,263	28,958,014	19,200,604

As at December 31, 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	551,091	440,988	897,134	-
Accounts payable and accrued liabilities	2,835,996	-	-	-
Income taxes payable	912,371	-	-	-
Long-term debt	1,260,431	1,243,283	11,075,882	3,647,725
Total	5,559,889	1,684,271	11,973,016	3,647,725

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, 2023	December 31, 2022
	\$	\$
Long-term debt	34,515,683	13,484,447
Lease obligations	4,879,871	1,761,273
Less: Cash and cash equivalents	(15,004,277)	(16,118,601)
Net debt	24,391,277	(872,881)
Total equity	33,813,079	28,872,703
	58,204,356	27,999,822

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.