AEP

ATLAS ENGINEERED PRODUCTS

Unaudited Condensed Interim Consolidated Financial

For the three months ended March 31, 2024 and 2023
(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 Financial Position
As at March 31, 2024 and December 31, 2023
(Unaudited - expressed in Canadian dollars)

	Note	March 31, 2024	December 31, 2023
		$	$
Assets			
Current			
Cash and cash equivalents		7,225,083	14,747,369
Accounts receivable	**4, 15, 18**	5,440,749	6,709,146
Income taxes receivable		3,161,009	2,327,246
Inventories	**5**	7,702,229	6,807,522
Prepaid expenditures		266,397	205,674
Deposits		15,049	-
		23,810,516	30,796,957
Non-current			
Buildings and equipment	**6**	20,119,459	20,887,444
Intangible assets	**7**	8,859,773	9,052,993
Goodwill	**8**	18,204,606	18,204,606
Deferred tax assets		536,423	501,699
Total Assets		71,530,777	79,443,699
Liabilities			
Current			
Accounts payable and accrued liabilities	**9, 15**	3,375,928	2,911,708
Customer deposits		481,211	464,760
Lease obligations – current portion	**10**	1,080,917	1,055,254
Long-term debt – current portion	**11**	3,082,882	3,492,638
		8,020,938	7,924,360
Non-current			
Lease obligations	**10**	3,239,114	3,521,769
Long-term debt	**11**	23,506,588	30,196,906
Deferred tax liability		3,226,516	3,371,078
		37,993,156	45,014,113
Shareholders' Equity			
Share capital	**12**	21,606,343	21,453,733
Contributed surplus	**12**	1,722,676	1,773,815
Retained Earnings		10,208,602	11,202,038
		33,537,621	34,429,586
Total Liabilities and Shareholders' Equity		71,530,777	79,443,699

APPROVED BY THE DIRECTORS ON MAY 29, 2024

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

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

Atlas Engineered Products Ltd.
Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
For the three months ended March 31, 2024 and 2023
(Unaudited - expressed in Canadian dollars)

	Note	March 31, 2024	March 31, 2023
		$	$
Revenue	**13**	9,121,059	9,629,368
Cost of sales	**14**	(7,693,906)	(6,773,587)
Gross profit		1,427,153	2,855,781
Operating expenses			
Administrative and office	**15**	543,241	464,656
Depreciation and amortization	**6, 7**	505,317	351,411
Bad debt recovery		(1,163)	(687)
Professional fees		89,170	91,969
Salaries and benefits	**15**	1,078,270	952,204
Share-based payments	**12(c), 15**	33,245	166,117
Operating (loss) income		(820,927)	830,111
Other income		97,312	200,370
Interest expense		(568,386)	(186,738)
Finance charge on leases	**10, 15**	(68,147)	(24,181)
Foreign exchange gain (loss)		612	(1,294)
(Loss) Income before income tax		(1,359,536)	818,268
Income taxes			
Current income tax recovery (expense)		179,286	(347,094)
Deferred income tax recovery		186,814	72,126
		366,100	(274,968)
Net (loss) income and comprehensive (loss) income for the period		(993,436)	543,300
(Loss) Income per share			
Basic		(0.02)	0.01
Diluted		(0.02)	0.01
Weighted average number of shares outstanding			
Basic		59,267,649	57,881,215
Diluted		62,032,117	60,958,474

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

Atlas Engineered Products Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total
	(Note 12)	(Note 12)	(Note 12)		
		$	$	$	$
Balance, December 31, 2022	**57,847,263**	**19,426,569**	**1,393,934**	**8,052,200**	**28,872,703**
Share-based payments	-	-	166,117	-	166,117
Shares repurchased for cancellation	(196,000)	(154,245)	-	-	(154,245)
Stock options exercised	253,334	271,596	(119,595)	-	152,001
Net income for the period	-	-	-	543,300	543,300
Balance, March 31, 2023	**57,904,597**	**19,543,920**	**1,440,456**	**8,595,500**	**29,579,876**
Share-based payments	-	-	345,199	-	345,199
Shares issued on acquisition	1,754,384	2,000,000	-	-	2,000,000
Shares repurchased for cancellation	(542,900)	(116,526)	-	-	(116,526)
Stock options exercised	50,000	26,339	(11,840)	-	14,499
Net income for the period	-	-	-	2,606,538	2,606,538
Balance, December 31, 2023	**59,166,081**	**21,453,733**	**1,773,815**	**11,202,038**	**34,429,586**
Share-based payments	-	-	33,245	-	33,245
Shares repurchased for cancellation (Note 12b)	(19,100)	(21,774)	-	-	(21,774)
Stock options exercised (Note 12b)	300,000	174,384	(84,384)	-	90,000
Net (loss) income for the period	-	-	-	(993,436)	(993,436)
Balance, March 31, 2024	**59,446,981**	**21,606,343**	**1,722,676**	**10,208,602**	**33,537,621**

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

Atlas Engineered Products Ltd.
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2024 and 2023
(Unaudited - expressed in Canadian dollars)

	March 31, 2024	March 31, 2023
	$	$
Operating activities		
Net (loss) income for the period	(993,436)	543,300
Depreciation and amortization	1,035,420	743,746
Unrealized foreign exchange (gain) loss	(49)	946
Deferred tax recovery	(179,286)	(72,126)
Share-based payments	33,245	166,117
Changes in non-cash working capital items:		
Accounts receivable	1,268,446	76,930
Inventories	(894,707)	(142,405)
Prepaid expenditures	(60,723)	26,064
Deposits	(15,049)	-
Accounts payable and accrued liabilities	464,220	1,026,695
Customer deposits	16,452	703
Corporate income taxes receivable	(833,763)	(633,186)
Corporate income taxes payable	-	(912,371)
Cash (used in) provided by operations	(159,230)	824,413
Investing activities		
Acquisition of buildings and equipment	(74,216)	(15,266)
Cash used in investing activities	(74,216)	(15,266)
Financing activities		
Repayment of principal lease obligations (Note 10)	(256,992)	(251,364)
Repayment of long-term debt (Note 11)	(7,100,074)	(455,516)
Proceeds from long-term debt (Note 11)	-	-
Shares repurchased for cancellation (Note 12b)	(21,774)	(154,245)
Proceeds from stock option exercise (Note 12b)	90,000	152,001
Cash used in financing activities	(7,288,840)	(709,124)
(Decrease) increase in cash	(7,522,286)	100,023
Cash - beginning of period	14,747,369	16,118,601
Cash - end of period	7,225,083	16,218,624
Cash paid during the period for:		
Interest	636,533	210,920
Income taxes	1,214,071	1,892,650

Supplemental cash flow information – Note 16

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, 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. Material Accounting Policies

Basis of presentation

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), effective for the Company's reporting for the three months ended March 31, 2024.

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 period as the parent company, using consistent accounting policies.

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

These consolidated financial statements were approved for issue by the Board of Directors on May 29th, 2024.

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 eight subsidiaries, all located in Canada, Clinton Building Components Ltd. ("Clinton"), Satellite Building Components Ltd. ("Satellite"), Atlas Building Systems Ltd. ("ABS"), Pacer Building Components Ltd. ("Pacer"), South Central Building Systems Ltd. ("SC"), Novum Building Components Ltd. ("Novum"), Hi-Tec Industries Ltd. ("Hi-Tec"), and Léon Chouinard et Fils Co. Ltd./Ltée. ("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 period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(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. An additional working capital adjustment for $414,382 was 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.

The intangible assets acquired relate to customer relationships, brand and a non-compete agreement, which were recorded at $2,490,000, $1,375,000 and $1,472,000 at the date of acquisition, respectively. Management applied significant judgment in estimating the fair values of those intangible assets. To estimate the fair values of the intangible assets, management used the multi-period excess earnings method to value customer relationships, the Relief-From-Royalty method to value the brand, and the with and without method to value the non-compete agreement, using discounted cash flow models. Management developed significant assumptions related to revenue growth rates, gross margin, EBITDA forecasts, customer retention rates, and discount rates when determining the fair value of those intangible assets, as applicable. Management considers the valuation of the intangible assets acquired as provisional as at March 31, 2024, as management is still validating certain existing information and acquiring additional information to finalize the valuation.

In accordance with IFRS 3, the LCF acquisition will be accounted for as a business combination. The acquisition date fair values of the assets and liabilities acquired have been estimated as follows:

Category	$
Cash	24,000,000
Shares	2,000,000
Working capital	3,299,119
Total consideration	**29,299,119**
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	7,223,400
Intangible assets	5,337,000
Goodwill	11,470,107
Accounts payable and accrued liabilities	(2,198,203)
Customer deposits	(767,672)
Deferred tax liability	(1,604,809)
	29,299,119

Due to the recent nature of the transaction, the fair value determinations are still provisional for intangible assets and have not been finalized. All other values above have been finalized. Once completed this may result in a change the valuation of intangible assets offset by a change in the valuation of the goodwill plus an amortization expense related to the intangible assets from the date of acquisition.

(Unaudited - expressed in Canadian dollars)

3. Acquisition of LCF (continued)

If the acquisition had occurred on January 1, 2023 then the revenues would have been $18,028,670. The following table shows the results of the operations of LCF since the acquisition date.

	LCF Jan 1 – Mar 31, 2024	LCF Aug 23 – Dec 31, 2023
		$
Sales per consolidated financial statements	1,751,755	7,710,937
(Loss) Income before tax	(502,000)	1,713,216
Income tax recovery (expense)	246,553	(215,530)
(Loss) income for the period	(255,447)	1,497,686

4. Accounts receivable

Trade and other receivables were as follows:

	March 31, 2024	December 31, 2023
	$	$
Trade accounts receivable	5,219,754	6,630,633
Other receivables	225,244	83,925
Loss allowance	(4,249)	(5,412)
	5,440,749	6,709,146

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 three months ended March 31, 2024, the estimated credit loss amounted to $4,249 (December 31, 2023 - $5,412).

5. Inventories

	March 31, 2024	December 31, 2023
	$	$
Raw materials	6,410,254	5,894,969
Work in progress	392,760	175,033
Finished goods	746,436	581,889
Other	152,779	155,631
	7,702,229	6,807,522

During the three months ended March 31, 2024, $3,612,757 (March 31, 2023, $3,704,387) 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 three months ended March 31, 2024.

(Unaudited - 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, 2022	10,472,557	255,156	2,958,002	6,877,254	409,502	229,421	21,201,892
Additions	3,882,748	5,357	47,783	517,829	38,915	-	4,492,632
Additions through business combination	2,792,000	135,000	2,574,900	1,721,500	-	-	7,223,400
Disposals	(2,866,124)	-	(25,000)	(25,000)	-	-	(2,916,124)
Balance, December 31, 2023	14,281,181	395,513	5,555,685	9,091,583	448,417	229,421	30,001,800
Additions	-	7,430	59,807	-	6,978	-	74,215
Additions through business combination	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance, March 31, 2024	14,281,181	402,943	5,615,492	9,091,583	455,395	229,421	30,076,015
Accumulated depreciation							
Balance, December 31, 2022	3,354,860	169,106	1,893,670	3,458,768	296,178	144,557	9,317,139
Additions	1,167,494	27,382	605,161	857,088	37,872	7,452	2,702,449
Disposals	(2,866,124)	-	(21,841)	(17,267)	-	-	(2,905,232)
Balance, December 31, 2023	1,656,230	196,488	2,476,990	4,298,589	334,050	152,009	9,114,356
Additions	350,904	10,053	232,125	239,650	7,785	1,683	842,200
Disposals	-	-	-	-	-	-	-
Balance, March 31, 2024	2,007,134	206,541	2,709,115	4,538,239	341,835	153,692	9,956,556
Carrying amount at December 31, 2023	12,624,951	199,025	3,078,695	4,792,994	114,367	77,412	20,887,444
Carrying amount at March 31, 2024	12,274,047	196,402	2,906,377	4,553,344	113,560	75,729	20,119,459

Depreciation for tangible assets during the three months ended March 31, 2024 was $842,200 (March 31, 2023 - $537,399) During the three months ended March 31, 2024, $530,103 (March 31, 2023 - $392,335) of the depreciation was included in cost of sales.

(Unaudited - 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 period ended March 31, 2024 and 2023.

	Building	Total
	$	$
Balance, December 31, 2022	1,627,920	1,627,920
Additions	3,866,330	3,866,330
Disposals, net	-	-
Depreciation charge for the year	(995,319)	(995,319)
Balance, December 31, 2023	4,498,931	4,498,931
Additions	-	-
Disposals, net	-	-
Depreciation charge for the period	(293,890)	(293,890)
Balance, March 31, 2024	4,205,041	4,205,041

7. Intangible assets

	Customer Relationships	Brand	Non-Compete Agreements	Total
	$	$	$	$
Cost				
Balance, December 31, 2022	4,896,000	1,206,000	1,248,000	7,350,000
Additions	2,490,000	1,375,000	1,472,000	5,337,000
Impairment	-	-	-	-
Balance, December 31, 2023	7,386,000	2,581,000	2,720,000	12,687,000
Additions	-	-	-	-
Impairment	-	-	-	-
Balance, March 31, 2024	7,386,000	2,581,000	2,720,000	12,687,000
Accumulated amortization				
Balance, December 31, 2022	1,774,312	492,016	516,381	2,782,709
Additions	489,603	120,507	241,188	851,298
Impairment	-	-	-	-
Balance, December 31, 2023	2,263,915	612,523	757,569	3,634,007
Additions	122,399	30,140	40,681	193,220
Impairment	-	-	-	-
Balance, March 31, 2024	2,386,314	642,663	798,250	3,827,227
Carrying amount at December 31, 2023	5,122,085	1,968,477	1,962,431	9,052,993
Carrying amount at March 31, 2024	4,999,686	1,938,337	1,921,750	8,859,773

Amortization for intangible assets during the three months ended March 31, 2024 was $193,220 (March 31, 2023 - $214,948). The fair value determinations are still provisional for LCF intangible assets and have not been finalized. No amortisation was taken for these assets.

As at March 31, 2024, the Company completed a quarterly assessment of the intangible assets and determined there were no circumstances leading to an impairment of these intangible assets.

(Unaudited - expressed in Canadian dollars)

8. Goodwill

The following summarizes the Company's goodwill as at March 31, 2024 and 2023.

	Clinton	Satellite	Pacer	SC	Hi-Tec	LCF	Total
	$	$	$	$	$	$	$
Cost							
Balance, December 31, 2022	474,428	136,446	2,284,327	883,275	2,956,023	-	6,734,499
Additions	-	-	-	-	-	11,470,107	11,470,107
Balance, December 31, 2023	474,428	136,446	2,284,327	883,275	2,956,023	11,470,107	18,204,606
Additions	-	-	-	-	-	-	-
Balance, March 31, 2024	474,428	136,446	2,284,327	883,275	2,956,023	11,470,107	18,204,606

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 March 31, 2024.

9. Accounts payable and accrued liabilities

	March 31, 2024	December 31, 2023
	$	$
Trade accounts payable	1,447,595	1,186,226
Sales taxes payable	265,803	348,743
Salaries and vacation payable	739,427	742,278
Other accounts payable	50,372	36,851
Accrued liabilities	872,731	597,610
	3,375,928	2,911,708

(Unaudited - expressed in Canadian dollars)

10. 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 March 31, 2024 and December 31, 2023 are as follows:

	March 31, 2024	December 31, 2023
	$	$
Building under right-of-use asset lease repayable in monthly instalments of $25,500 inclusive of implied interest of 5.95% per annum, residual value of $nil, maturing in December 2025 (Note 15).	513,634	582,065
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 October 2023. Renewal at 6.7% with monthly instalments of $67,160, maturing in October 2028.	3,432,883	3,579,138
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.	243,145	260,614
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 $9,074, maturing in June 2025.	130,369	155,206
Total lease obligation	4,320,031	4,577,023
Current portion	(1,080,917)	(1,055,254)
Non-current portion	3,239,114	3,521,769

The following is a schedule of the total lease payments made during the three months ended March 31, 2024 and 2023:

	March 31, 2024	March 31, 2023
	$	$
Principal payment	256,992	251,364
Interest expense	68,147	24,181
Total lease payments	325,139	275,545

During the three months ended March 31, 2024 no assets were purchased under a right-of-use lease (March 31, 2023 – no assets were purchased under a right-of-use lease).

(Unaudited - expressed in Canadian dollars)

10. Lease obligations (continued)

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

	March 31, 2024
	$
2024	980,538
2025	1,287,085
2026	946,286
2027	932,828
2028	762,920
Total minimum lease payments	4,909,657
Less: imputed interest	(589,626)
Total present value of minimum lease payments	4,320,031

During the three months ended March 31, 2024, the Company did not enter into any low value leases (March 31, 2023 – no low value leases).

11. Long-term debt

The long-term debt consists of the following:

	March 31, 2024	December 31, 2023
	$	$
Scotiabank assumed loan[1]	1,622	4,055
TD mortgage[2]	2,234,375	2,258,750
TD term loan[3]	22,308,333	28,033,333
TD mortgage[4]	2,045,140	2,066,080
BDC loan[5]	-	735,966
BDC loan[6]	-	591,360
	26,589,470	33,689,544
Less current portion of term debt	(3,082,882)	(3,492,638)
Total long-term portion of term debt	23,506,588	30,196,906

1. A financing loan with a major Canadian bank bearing interest at 0.00% as at March 31, 2024, 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.
2. A mortgage with a major Canadian bank bearing interest at a floating rate (7.45% as at March 31, 2024) 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.
3. A term loan with a major Canadian bank bearing interest at a floating rate (7.45% as at March 31, 2024) 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.
4. A mortgage with a major Canadian bank bearing interest at a floating rate (7.45% as at March 31, 2024) 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

11. Long-term debt (continued)

5. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at March 31, 2024) 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.
6. A term loan with a major Canadian bank bearing interest at a floating base rate (7.64% as at March 31, 2024) 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

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.

On January 9, 2024, the Company made a debt prepayment of $5,000,000 towards the principal amount on its TD Term Credit Facility. This reduced TD Term Loan #5 in Note 14 by the $5,000,000. Monthly principal payments will remain the same and the loan will now be paid off by December 2031.

On February 8, 2024, the Company made a debt prepayment of $193,759 towards the principal amount on its BDC loans. This reduced BDC Loan #1 and #2 by $109,279 and $84,480, respectively, for a total of $193,759. Monthly principal payments remained the same and the loans were expected to be paid off December 2026 and January 2038, respectively.

On March 25, 2024, the Company made a debt prepayment of $1,080,176 towards the outstanding principal amount on its BDC loans. This reduced BDC Loan #1 and #2 by $615,536 and $464,640, respectively, for a total of $1,080,176.

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 a 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. 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 March 31, 2024, the Company was in compliance with their covenants.

12. 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 was effective until December 1, 2023 as the Company did not purchase the maximum permitted number of shares allowed. Pursuant to the NCIB, the Company may have purchased up to 4,732,015 of its outstanding common shares representing approximately 10% of the public float of shares outstanding at market prices as at November 2, 2022.

(Unaudited - expressed in Canadian dollars)

12. Share capital (continued)

b) Share capital transactions (continued)

During the three months ended March 31, 2024, the Company officially cancelled 19,100 shares pursuant to its NCIB for a total of $21,774. These shares were repurchased prior to the end of the NCIB. The Company's share capital was reduced by the average carrying value of shares repurchased for cancellation.

On February 26, 2024, 100,000 options were exercised at $0.30 for 100,000 common shares.

On February 28, 2024, 100,000 options were exercised at $0.30 for 100,000 common shares.

On March 4, 2024, 100,000 options were exercised at $0.30 for 100,000 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 March 31, 2024 and December 31, 2023 and the changes for the periods then ended are as follows:

	Number	**Weighted average exercise price**
		$
Balance as at December 31, 2022	3,007,500	0.55
Granted	400,000	0.74
Exercised	(303,334)	0.55
Forfeited	(287,500)	0.58
Balance as at December 31, 2023	2,816,666	0.57
Granted	-	-
Exercised	(300,000)	0.30
Forfeited	-	-
Balance as at March 31, 2024	2,516,666	0.60

The total share-based payments recorded during the three months ended March 31, 2024 was $33,245 (March 31, 2023 - $166,117).

(Unaudited - expressed in Canadian dollars)

12. Share capital (continued)

c) Options (continued)

The following table summarizes information about the share options outstanding as at March 31, 2024:

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	195,000	0.17	$0.30	195,000	March 3, 2024
$0.49	100,000	1.76	$0.49	100,000	January 4, 2026
$0.29	300,000	2.06	$0.29	300,000	April 21, 2026
$0.60	421,666	2.76	$0.60	421,666	January 4, 2027
$0.64	200,000	3.06	$0.64	200,000	April 21, 2027
$0.60	100,000	3.64	$0.60	100,000	November 22, 2027
$0.73	800,000	3.72	$0.73	533,327	December 20, 2027
$0.74	400,000	3.76	$0.74	266,664	January 4, 2028
$0.60	2,516,666	2.96	$0.58	2,116,657	

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.

(Unaudited - expressed in Canadian dollars)

13. 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 months ended March 31, 2024 and 2023 is as follows:

Period ended March 31, 2024

	Trusses	Engineered wood products	Walls	Total
	$	$	$	$
Total revenue	5,833,419	2,557,446	730,194	9,121,059

Period ended March 31, 2023

	Trusses	Engineered wood products	Walls	Total
	$	$	$	$
Total revenue	7,281,842	2,347,526	-	9,629,368

14. Cost of sales

Cost of sales for the three months ended March 31, 2024 and 2023 is as follows:

	March 31, 2024	March 31, 2023
	$	$
Materials	3,523,927	3,698,729
Labour	2,783,677	1,982,722
Maintenance and overhead	856,199	699,801
Depreciation and amortization	530,103	392,335
Total cost of sales	7,693,906	6,773,587

15. 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.

(Unaudited - expressed in Canadian dollars)

15. 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 three months ended March 31, 2024 and 2023:

	March 31, 2024	March 31, 2023
	$	$
Salaries and benefits	215,033	264,324
Administrative and office	31,000	28,500
Finance charge on lease obligations[1]	8,069	11,765
Share-based payments	19,631	98,874
Total related party transactions	273,733	403,463

Due from/to related parties

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

	March 31, 2024	December 31, 2023
	$	$
Due from related party		
Accounts receivable and prepaid expenses	-	47
Total due from related party	-	47
Due to related parties		
Accounts payable and accrued liabilities	(11,569)	(10,333)
Lease obligation (Note 10)[1]	(513,634)	(582,065)
Total due to related parties	(525,203)	(592,398)

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.

16. 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 months ended March 31, 2024 and 2023, the Company had the following non-cash investing and financing activities:

Three months ended March 31, 2024

During the three months ended March 31, 2024, the Company had no investing or financing activities identified that did not have a direct impact on the current cash flows.

Three months ended March 31, 2023

During the three months ended March 31, 2023, the Company had no investing or financing activities identified that did not have a direct impact on the current cash flows.

17. 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, 2023	33,689,544	4,577,023	38,266,567
Repayments	(7,100,074)	(256,992)	(7,357,066)
Issuance	-	-	-
Non-cash – lease obligation	-	-	-
Non-cash – lease adjustment	-	-	-
Balance March 31, 2024	26,589,470	4,320,031	30,909,501

	Long-term debt	Lease obligations	Total
	$	$	$
Balance December 31, 2022	13,484,447	1,761,273	15,245,720
Repayments	(10,888,903)	(1,050,580)	(11,939,483)
Issuance	31,094,000	-	31,094,000
Non-cash – lease obligation	-	3,893,175	3,893,175
Non-cash – lease adjustment	-	(26,845)	(26,845)
Balance December 31, 2023	33,689,544	4,577,023	38,266,567

18. Financial instruments

Classification of financial instruments

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

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

Market risk

a) Foreign exchange risk

The Company is exposed to foreign exchange risk. The Company has US non-inventory expenditures and bank accounts in US currency. The Company has had revenues from sales to the US prior to March 2020 and anticipates having revenues from sales to the US again. 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.

(Unaudited - expressed in Canadian dollars)

18. Financial instruments (continued)

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 March 31, 2024, 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 $187,624 over the next quarter.

Credit risk

Credit risk is the risk that a counterparty fails to meet its contractual obligation to the Company. The Company is exposed to the risk for various financial instruments through receivables from customers and placing deposits and the potential for cash fraud. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at March 31, 2024 and December 31, 2023 summarized below:

	March 31, 2024	December 31, 2023
	$	$
Classes of financial assets – carrying amounts		
Cash and cash equivalents	7,225,083	14,747,369
Trade accounts receivable, net of loss allowance	5,215,505	6,625,221
	12,440,588	21,372,590

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.

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 March 31, 2024 and December 31, 2023 is summarized below:

	March 31, 2024	December 31, 2023
	$	$
Trade accounts receivable, net of loss allowance		
Current	2,225,262	3,063,553
Past due 1 to 30 days	1,339,922	2,028,247
Past due 31 to 60 days	504,695	704,426
Past due over 60 days	1,145,626	828,995
	5,215,505	6,625,221

(Unaudited - expressed in Canadian dollars)

18. Financial instruments (continued)

Credit risk (continued)

The loss allowance as at March 31, 2024 and December 31, 2023 was determined as follows for trade accounts receivable:

As at March 31, 2024

	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%	0.26%	0.08%
Trade accounts receivable	2,225,262	1,339,922	505,960	1,148,610	5,219,754
Loss allowance	-	-	1,265	2,984	4,249

As at December 31, 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%	0.44%	0.08%
Trade accounts receivable	3,063,553	2,028,247	706,191	832,642	6,630,633
Loss allowance	-	-	1,765	3,647	5,412

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 in meeting commitments under its current facilities.

The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities and debt servicing ratios. The Company also forecasts and manages cash inflows and outflows on a daily, weekly and monthly basis.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables exceeds the current cash outflow requirements as our current ratio is currently 2.97:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

As at March 31, 2024, 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	650,279	664,579	3,594,800	-
Accounts payable and accrued liabilities	3,375,928	-	-	-
Income taxes payable	-	-	-	-
Long-term debt	2,516,628	2,442,491	21,347,144	10,535,737
Total	6,542,835	3,107,070	24,941,944	10,535,737

(Unaudited - expressed in Canadian dollars)

18. Financial instruments (continued)

Liquidity risk (continued)

As at December 31, 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	650,279	655,399	3,929,119	-
Accounts payable and accrued liabilities	2,911,708	-	-	-
Income taxes payable	-	-	-	-
Long-term debt	2,879,689	2,814,171	24,358,266	18,144,733
Total	6,441,676	3,469,570	28,287,385	18,144,733

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

19. 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:

	March 31, 2024	December 31, 2023
	$	$
Long-term debt	26,589,470	33,689,544
Lease obligations	4,320,031	4,577,023
Less: Cash and cash equivalents	(7,225,083)	(14,747,369)
Net debt	23,684,418	23,519,198
Total equity	33,537,621	34,429,586
	57,222,039	57,948,784

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.