



## Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021  
(Expressed in Canadian dollars)

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

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

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

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

**Atlas Engineered Products Ltd.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As at September 30, 2022 and December 31, 2021**  
*(Unaudited - expressed in Canadian dollars)*

	Note	September 30, 2022	December 31, 2021
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		12,904,469	8,947,182
Accounts receivable	4, 20	8,530,792	6,730,912
Inventories	5	5,834,626	3,370,440
Prepaid expenditures		140,440	178,901
Deposits		348,728	10,211
Assets held for sale	6	39,800	69,954
		27,798,855	19,307,600
<b>Non-current</b>			
Buildings and equipment	7	12,393,164	8,468,113
Intangible assets	8	3,458,973	3,937,029
Goodwill	9	7,795,189	3,778,476
Deferred tax asset		375,248	289,441
<b>Total Assets</b>		51,821,429	35,780,659
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	10, 17	4,253,442	3,048,762
Customer deposits		933,919	411,054
Income taxes payable		1,438,281	1,379,793
Lease obligations – current portion	12	1,009,492	989,229
Long-term debt – current portion	13	1,815,324	951,983
		9,450,458	6,780,821
<b>Non-current</b>			
Intangible liability	11	40,118	65,921
Lease obligations	12	1,011,802	1,430,121
Long-term debt	13	12,121,639	6,018,673
Deferred tax liability		1,937,620	1,672,480
		24,561,637	15,968,016
<b>Shareholders' Equity</b>			
Share capital	14	19,587,150	19,067,094
Contributed surplus	14	1,711,748	1,523,686
Retained earnings		5,960,894	(778,137)
		27,259,792	19,812,643
<b>Total Liabilities and Shareholders' Equity</b>		51,821,429	35,780,659

Subsequent events – Note 22

**APPROVED BY THE DIRECTORS ON NOVEMBER 23, 2022**

DON HUBBARD

Director

KEVIN SMITH

Director

# Atlas Engineered Products Ltd.

## Condensed Interim Consolidated Statements of Income and Comprehensive Income For the three and nine months ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian dollars)

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

**Atlas Engineered Products Ltd.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the three and nine months ended September 30, 2022 and 2021**

*(Unaudited - expressed in Canadian dollars)*

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

Supplemental cash flow information – Note 18

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

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

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

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

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**1. Nature of Operations**

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

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

**2. Significant Accounting Policies**

**Basis of presentation**

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective for the Company's reporting for the three and nine months ended September 30, 2022.

These consolidated financial statements have been prepared under the historical cost basis and are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

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

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

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

**Basis of consolidation**

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

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

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

**3. Acquisition of Hi-Tec**

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

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

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

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

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

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

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

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

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

#### **4. Accounts receivable**

Trade and other receivables were as follows: