

AEP

ATLAS ENGINEERED
PRODUCTS

Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020
(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, 2021 and December 31, 2020
(Unaudited - expressed in Canadian dollars)

	Note	March 31, 2021	December 31, 2020
		\$	\$
Assets			
Current			
Cash		1,562,705	1,816,989
Accounts receivable	3, 17, 20	5,006,167	5,417,112
Inventories	4	2,471,312	2,254,280
Prepaid expenditures		97,646	159,076
Deposits		125,586	125,586
Assets held for sale	5	264,287	-
		9,527,703	9,773,043
Non-current			
Buildings and equipment	6	9,795,561	8,125,915
Intangible assets	7	4,415,085	4,574,437
Goodwill	8	3,778,476	3,778,476
Deferred tax asset		806,953	840,768
Total Assets		28,323,778	27,092,639
Liabilities			
Current			
Accounts payable and accrued liabilities	9, 17	3,182,659	3,055,067
Customer deposits		478,515	148,516
Income taxes payable		207,548	147,489
Lease obligations – current portion	11	1,049,179	877,228
Long-term debt – current portion	12	1,003,447	1,044,734
		5,921,348	5,273,034
Non-current			
Intangible liability	10	91,724	100,325
Lease obligations	11	2,163,212	1,349,896
Long-term debt	12	5,745,339	5,954,899
Deferred tax liability		1,410,265	1,484,204
		15,331,888	14,162,358
Shareholders' Equity			
Share capital	13	19,230,222	19,230,222
Contributed surplus	13	1,442,946	1,432,545
Deficiency		(7,681,278)	(7,732,486)
		12,991,890	12,930,281
Total Liabilities and Shareholders' Equity		28,323,778	27,092,639

Subsequent events – Note 22

APPROVED BY THE DIRECTORS ON MAY 18, 2021

DON HUBBARD Director

KEVIN SMITH Director

Atlas Engineered Products Ltd.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) For the three months ended March 31, 2021 and 2020

(Unaudited - expressed in Canadian dollars)

	Note	March 31, 2021	March 31, 2020
		\$	\$
Revenue	14	9,129,633	7,097,979
Cost of sales	15	(7,400,910)	(5,985,305)
Gross profit		1,728,723	1,112,674
Operating expenses			
Administrative and office	17	243,199	679,466
Depreciation	6, 7, 10	323,590	345,027
Bad debt (recovery) expense		(316)	2,207
Management fees	17	24,646	72,000
Professional fees		62,786	125,682
Salaries and benefits	17	865,597	710,098
Share-based payments	13(c), 17	10,402	44,278
Operating income (loss)		198,819	(866,084)
Other income	16	3,465	5,508
Interest expense		(66,728)	(118,221)
Finance charge on leases	11, 17	(46,156)	(50,400)
Foreign exchange (loss) gain		(7,297)	20,127
(Loss) gain on disposal of assets		(10,963)	2,592
Income (loss) before income tax		71,140	(1,006,478)
Income taxes			
Current income tax (expense) recovery		(60,056)	24,197
Deferred income tax recovery		40,124	219,320
		(19,932)	243,517
Net Income (loss) and comprehensive income (loss) for the period		51,208	(762,961)
Income (loss) per share			
Basic and diluted		0.00	(0.01)
Weighted average number of shares outstanding			
Basic and diluted		57,725,730	52,910,873

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, 2021 and 2020
(Unaudited - expressed in Canadian dollars)

	March 31, 2021	March 31, 2020
	\$	\$
Operating activities		
Net income (loss) for the period	51,208	(762,961)
Depreciation	646,453	660,832
Unrealized foreign exchange gain	(1,286)	(6,332)
Deferred income tax recovery	(40,124)	(219,320)
Loss (gain) on disposal of assets	10,963	(2,592)
Share-based payments	10,402	44,278
Changes in non-cash working capital items:		
Accounts receivable	443,175	(31,319)
Inventories	(387,242)	(51,867)
Prepaid expenditures	61,430	(55,817)
Deposits	-	89,514
Accounts payable and accrued liabilities	127,592	(172,210)
Customer deposits	329,999	72,921
Corporate income taxes payable	60,059	(436,506)
Cash provided by (used in) operations	1,312,629	(871,379)
Investing activities		
Acquisition of equipment	(1,040,148)	(83,538)
Proceeds from disposition of equipment	3,515	25,652
Cash used in investing activities	(1,036,633)	(57,886)
Financing activities		
Repayment of principal lease obligations	(279,433)	(275,638)
Repayment of long-term debt	(250,847)	(173,117)
Repayment of bank indebtedness	-	(1,470,000)
Shares issued for cash	-	4,597,253
Cash share issue costs	-	(261,954)
Cash (used in) provided by financing activities	(530,280)	2,416,544
(Decrease) increase in cash	(254,284)	1,487,279
Cash - beginning of period	1,816,989	1,757,405
Cash - end of period	1,562,705	3,244,684
Cash paid during the period for:		
Interest	112,884	168,621
Income taxes	-	402,203

Supplemental cash flow information – Note 18

Atlas Engineered Products Ltd.
Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Contributed Surplus	Deficiency	Total
	(Note 13)	(Note 13)	(Note 13)		
		\$	\$	\$	\$
Balance, December 31, 2019	46,232,596	14,836,346	1,346,746	(7,961,472)	8,221,620
Shares issued pursuant to private placement	11,493,134	4,597,253	-	-	4,597,253
Less: cash share issue costs	-	(203,377)	-	-	(203,377)
Share-based payments	-	-	44,278	-	44,278
Net income for the period	-	-	-	(762,961)	(762,961)
Balance, March 31, 2020	57,725,730	19,230,222	1,391,024	(8,724,433)	11,896,813
Share-based payments	-	-	41,520	-	41,520
Net income for the period	-	-	-	991,947	991,947
Balance, December 31, 2020	57,725,730	19,230,222	1,432,544	(7,732,486)	12,930,280
Share-based payments	-	-	10,402	-	10,402
Net income for the period	-	-	-	51,208	51,208
Balance, March 31, 2021	57,725,730	19,230,222	1,442,946	(7,681,278)	12,991,890

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 months ended March 31, 2021 and 2020

(Unaudited - expressed in Canadian dollars)

1. Nature of Operations

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

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

2. Significant Accounting Policies

Basis of presentation

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective for the Company's reporting for the three months ended March 31, 2021 and 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.

The Company continues to monitor and assess the impact of the COVID-19 pandemic on its business activities. The impact to date has been minimal compared to other industries; however there may be a material impact on the Company's financial position, results of operations, cash flows, and ability to obtain financing in future periods depending on the progress of the pandemic and any future potential lockdowns. In particular, there may be an increased risk of future goodwill and intangible asset impairments. As at May 18, 2021, all of our operations remain open and have not had to close as the Company has been deemed an essential business in all provinces that we currently operate in.

These consolidated financial statements were approved for issue by the Board of Directors on May 18, 2021.

Basis of consolidation

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

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

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2021 and 2020
(Unaudited - expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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.

3. Accounts receivable

Trade and other receivables were as follows:

	March 31, 2021	December 31, 2020
	\$	\$
Trade accounts receivable	4,894,608	5,063,346
Other receivables	114,308	356,610
Loss allowance	(2,749)	(2,844)
	5,006,167	5,417,112

Trade and other receivables are non-interest bearing and are carried at amortized cost, and impaired using the simplified approach which records impairment at the lifetime expected credit losses. During the three months ended March 31, 2021, the estimated credit loss amounted to \$2,749 (March 31, 2020 - \$4,943).

4. Inventories

	March 31, 2021	December 31, 2020
	\$	\$
Raw materials	1,879,607	1,772,506
Work in progress	67,107	106,283
Finished goods	524,598	375,491
	2,471,312	2,254,280

During the three months ended March 31, 2021, \$4,473,223 (March 31, 2020 - \$3,373,037) 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 months ended March 31, 2021.

5. Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

As of February 2021, the Company is no longer manufacturing windows. Atlas Building Systems Ltd. ("ABS") (formally Coastal Windows Ltd.) has transitioned to wall panel manufacturing which is more aligned with the Company's core products in the wood products industry. The window production equipment has been transitioned to assets held for sale at the assets' carrying value of \$94,077 as at February 28, 2021. The carrying value is management's estimate of its sale value and actual sale prices may differ. The Company expects to sell these assets in fiscal 2021. The remaining inventory related to window production is also held for sale at its book value of \$170,210 as at February 28, 2021.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2021 and 2020
(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 Improvement	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, December 31, 2019	6,401,616	209,782	3,119,655	4,577,209	265,736	201,611	14,775,609
Additions	265,212	7,682	185,076	12,646	42,675	30,360	543,651
Additions through business combination	-	2,140	20,116	164,994	-	-	187,250
Related party transfers	-	-	(220,440)	(24,303)	-	-	(244,743)
Disposals	-	-	(77,500)	(12,000)	-	-	(89,500)
Balance, December 31, 2020	6,666,828	219,604	3,026,907	4,718,546	308,411	231,971	15,172,267
Additions	1,326,505	11,836	101,678	913,731	789	-	2,354,539
Disposals	(1,341,228)	(9,161)	-	(186,945)	-	-	(1,537,334)
Balance, March 31, 2021	6,652,105	222,279	3,128,585	5,445,332	309,200	231,971	15,989,472
Accumulated depreciation							
Balance, December 31, 2019	1,669,160	115,194	1,293,665	1,726,907	216,486	131,182	5,152,594
Additions	951,189	19,900	591,259	582,241	21,177	6,897	2,172,663
Related party transfers	-	-	(220,440)	(24,303)	-	-	(244,743)
Disposals	-	-	(29,997)	(4,165)	-	-	(34,162)
Balance, December 31, 2020	2,620,349	135,094	1,634,487	2,280,680	237,663	138,079	7,046,352
Additions	248,869	4,136	113,623	121,859	5,327	1,888	495,702
Disposals	(1,284,846)	(1,375)	-	(61,922)	-	-	(1,348,143)
Balance, March 31, 2021	1,584,372	137,855	1,748,110	2,340,617	242,990	139,967	6,193,911
Carrying amount at December 31, 2020	4,046,479	84,510	1,392,420	2,437,866	70,748	93,892	8,125,915
Carrying amount at March 31, 2021	5,067,733	84,424	1,380,475	3,104,715	66,210	92,004	9,795,561

Depreciation for tangible assets during the three months ended March 31, 2021 was \$495,702 (March 31, 2020 - \$510,907). During the three months ended March 31, 2021, \$322,863 (March 31, 2020 - \$315,805) of the depreciation was included in cost of sales.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2021 and 2020
(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 periods ended March 31, 2021 and December 31, 2020.

	Building	Office Furniture and Equipment	Vehicles	Production Equipment	Total
	\$	\$	\$	\$	\$
Balance, December 31, 2019	2,434,222	-	922,031	-	3,356,253
Additions	200,809	-	-	-	200,809
Disposals, net	-	-	(204,288)	-	(204,288)
Depreciation charge for the year	(856,890)	-	(300,441)	-	(1,157,331)
Balance, December 31, 2020	1,778,141	-	417,302	-	2,195,443
Additions	1,326,505	-	-	-	1,326,505
Disposals, net	(56,383)	-	-	-	(56,383)
Depreciation charge for the period	(222,534)	-	(39,126)	-	(261,660)
Balance, March 31, 2021	2,825,729	-	378,176	-	3,203,905

7. Intangible assets

	Customer Relationships	Brand	Certifications	Non-Compete Agreements	Total
	\$	\$	\$	\$	\$
Cost					
Balance, December 31, 2019	4,039,000	1,206,000	142,000	477,000	5,864,000
Additions	175,000	-	-	-	175,000
Impairment	-	-	(142,000)	-	(142,000)
Balance, December 31, 2020	4,214,000	1,206,000	-	477,000	5,897,000
Additions	-	-	-	-	-
Impairment	-	-	-	-	-
Balance, March 31, 2021	4,214,000	1,206,000	-	477,000	5,897,000
Accumulated Depreciation					
Balance, December 31, 2019	463,502	130,180	17,745	101,681	713,108
Additions	411,188	120,612	14,196	95,400	641,396
Impairment	-	-	(31,941)	-	(31,941)
Balance, December 31, 2020	874,690	250,792	-	197,081	1,322,563
Additions	105,349	30,153	-	23,850	159,352
Impairment	-	-	-	-	-
Balance, March 31, 2021	980,039	280,945	-	220,931	1,481,915
Carrying amount at December 31, 2020	3,339,310	955,208	-	279,919	4,574,437
Carrying amount at March 31, 2021	3,233,961	925,055	-	256,069	4,415,085

As at March 31, 2021, the Company has determined that there was no impairment to the intangible assets.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2021 and 2020
(Unaudited - expressed in Canadian dollars)

8. Goodwill

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

	Clinton	Satellite	Pacer	SC	Total
	\$	\$	\$		\$
Cost					
Balance, December 31, 2019	474,428	136,446	2,284,327	883,275	3,778,476
Additions	-	-	-	-	-
Balance, December 31, 2020	474,428	136,446	2,284,327	883,275	3,778,476
Additions	-	-	-	-	-
Balance, March 31, 2021	474,428	136,446	2,284,327	883,275	3,778,476

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, 2021.

9. Accounts payable and accrued liabilities

	March 31, 2021	December 31, 2020
	\$	\$
Trade accounts payable	2,230,771	1,938,610
Sales taxes payable	178,082	193,312
Salaries and vacation payable	428,646	490,840
Other accounts payable	96,797	129,512
Accrued liabilities	248,363	302,793
	3,182,659	3,055,067

10. Intangible liability

	Over-Market Lease Agreement	Total
	\$	\$
Cost		
Balance, December 31, 2019	172,000	172,000
Additions	-	-
Balance, December 31, 2020	172,000	172,000
Additions	-	-
Balance, March 31, 2021	172,000	172,000
Accumulated Depreciation		
Balance, December 31, 2019	37,271	37,271
Additions	34,404	34,404
Balance, December 31, 2020	71,675	71,675
Additions	8,601	8,601
Balance, March 31, 2021	80,276	80,276
Carrying amount at December 31, 2020	100,325	100,325
Carrying amount at March 31, 2021	91,724	91,724

As at March 31, 2021, the Company determined that there was no impairment to the intangible liability.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2021 and 2020
(Unaudited - expressed in Canadian dollars)

11. 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, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
	\$	\$
Building under right-of-use asset lease repayable in monthly instalments of \$24,500 inclusive of implied interest of 5.78% per annum, residual value of \$nil, maturing in December 2025 (Note 17).	1,252,864	-
Building under right-of-use asset lease repayable in monthly instalments of \$22,000 inclusive of implied interest of 6.20% per annum, residual value of \$nil, maturing in January 2021 (Note 17).	-	21,888
Building under right-of-use asset lease repayable in monthly instalments of \$5,359 inclusive of implied interest of 6.45% per annum, residual value of \$nil, maturing August 2021.	-	44,149
Building under right-of-use asset lease repayable in monthly instalments of \$53,160 inclusive of implied interest of 6.45% per annum, residual value of \$nil, maturing November 2023.	1,524,665	1,655,286
Vehicle under right-of-use asset lease repayable in monthly instalments of \$4,879 with interest of 9.1% per annum, residual value of \$51,000, maturing October 2021.	32,828	46,509
Vehicle under right-of-use asset lease repayable in monthly instalments of \$5,150 with interest of 4.4% per annum, residual value of \$2, maturing in April 2022.	65,254	79,889
Vehicle under right-of-use asset lease repayable in monthly instalments of \$2,551 with interest of 4.5% per annum, residual value of \$1, maturing September 2022.	44,304	51,413
Vehicle under right-of-use asset lease repayable in monthly instalments of \$5,287 with no interest and residual value of \$1, maturing December 2022.	111,032	126,892
Vehicle under right-of-use asset lease repayable in monthly instalments of \$1,354 with interest of 4.6% per annum, residual value of \$16,500, maturing October 2021.	25,400	29,142
Building under right-of-use asset lease repayable in monthly instalments of \$6,000 inclusive of implied interest of 5.2% per annum, residual value of \$nil, maturing in July 2023.	156,044	171,956
Total lease obligation	3,212,391	2,227,124
Current portion	(1,049,179)	(877,228)
Non-current portion	2,163,212	1,349,896

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2021 and 2020
(Unaudited - expressed in Canadian dollars)

11. Lease obligations (continued)

The following is a schedule of the total lease payments made during the three months ended March 31, 2021 and March 31, 2020:

	March 31, 2021	March 31, 2020
	\$	\$
Principal payment	279,433	275,638
Interest expense	46,156	52,074
Total lease payments	325,589	327,712

During the three months ended March 31, 2021 a building lease was renewed under a right-of-use asset for \$1,314,391 (March 31, 2020 - no assets were purchased under a right-of-use asset lease).

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, 2021
	\$
2021	929,636
2022	1,110,923
2023	909,168
2024	306,000
2025	312,000
Total minimum lease payments	3,567,727
Less: imputed interest	(355,336)
Total present value of minimum lease payments	3,212,391

During the three months ended March 31, 2021 – no short-term or low value leases were entered into. (March 31, 2020 – a low value lease for multiple office equipment items for \$13,200).

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2021 and 2020
(Unaudited - expressed in Canadian dollars)

12. Long-term debt

The long-term debt consists of the following:

	March 31, 2021	December 31, 2020
	\$	\$
BDC loan ¹	858,627	869,778
BDC loan ²	1,056,000	1,098,240
Scotiabank assumed loan ³	30,817	33,249
Saw financing ⁴	167,045	198,366
TD term loan ⁵	4,636,297	4,800,000
	6,748,786	6,999,633
Less current portion of term debt	(1,003,447)	(1,044,734)
Total long-term portion of term debt	5,745,339	5,954,899

1. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at March 31, 2021) repayable at approximately \$3,717 per month with maturity being June 2040. The loan is 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 March 31, 2021) repayable at approximately \$14,080 per month with maturity being June 2027. The loan is 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 March 31, 2021, repayable at approximately \$811 per month with maturity being May 2024. The loan was assumed on the acquisition of SC and remaining life is amortized over 72 months. The loan is secured by a specific piece of equipment.
4. An equipment financing with a major equipment supplier, Mitek Canada Inc. bearing interest at 0.00% as at March 31, 2021 and repayable at principal of \$10,440 plus tax per month, amortized over 37 months with maturity July 2022. The loan is secured by a specific piece of equipment.
5. A term loan with a major Canadian bank bearing interest at a fixed rate (2.19% as at March 31, 2021) repayable at \$61,630.43 per month with maturity December 2027. The loan is amortized over 84 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.

The Company applies judgement in the classification of long-term and short-term debt portions. The Company assumes that the prime interest rate will remain consistent or not change materially over the next twelve months. Loan 5 of the Company's debt obligations has consistent payments and a change in the interest rate would affect the principal portion as the overall payment was set for the term. The remaining loans are either no interest loans or have fluctuating payments that would change as the interest rate changes and the principal portion of those payments would remain constant.

During December 2020, The Company signed a new credit facility agreement with TD Canada Trust. The new agreement has three facilities. The first facility was an operating line of credit and the second facility is a committed revolving facility that the Company has not used any funds. The third facility is a committed reducing term facility used to pay off other debt obligations.

The credit facility with TD Canada Trust contains two financial covenants. A total leverage ratio of less than or equal to 3.00 to 1 which is tested quarterly on a twelve-month rolling basis. This total leverage ratio steps down to less than or equal to 2.75 to 1 on December 31, 2021 and 2.50 to 1 on December 31, 2022. The second financial covenant is a fixed charge coverage ratio of greater than or equal to 1.15 to 1 to be tested quarterly on a twelve-month rolling basis. As at March 31, 2021, the Company was in compliance with their covenants.

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13. Share capital

a) Authorized

Unlimited common shares without par value.

b) Share capital transactions

As at March 31, 2020 there were no share capital transactions.

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, 2021 and December 31, 2020 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price \$
Balance as at December 31, 2019	3,085,000	0.43
Granted	-	-
Forfeited	(150,000)	0.42
Balance as at December 31, 2020	2,935,000	0.44
Granted	100,000	0.49
Forfeited	-	-
Balance as at March 31, 2021	3,035,000	0.44

The total share-based payments recorded during three months ended March 31, 2021 was \$10,402 (March 31, 2020 - \$44,278).

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

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years) options outstanding	Weighted exercise price of options exercisable	Number of options exercisable	Expiry date
\$0.49	1,200,000	1.60	\$0.49	1,200,000	November 8, 2022
\$0.60	450,000	1.85	\$0.60	450,000	February 5, 2023
\$0.53	145,000	1.90	\$0.53	145,000	February 21, 2023
\$0.30	1,140,000	2.92	\$0.30	1,140,000	March 3, 2024
\$0.49	100,000	4.76	\$0.49	-	January 4, 2026
\$0.44	3,035,000	2.26	\$0.44	2,935,000	

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13. Share capital (continued)

c) Options (continued)

The Black-Scholes Pricing Model was used to estimate the fair value of the share options using the following assumptions on the grant date of the options:

Issue date	Expected option life (years)	Risk free interest rate	Dividend yield	Expected volatility	Expected forfeiture rate	Weighted average fair value
November 8, 2017	5.00	1.60%	Nil	146%	0.00%	\$0.44
February 5, 2018	5.00	1.60%	Nil	132%	2.15%	\$0.47
February 21, 2018	5.00	1.60%	Nil	132%	2.15%	\$0.46
April 18, 2018	5.00	1.60%	Nil	132%	2.22%	\$0.47
March 3, 2019	5.00	1.80%	Nil	165%	25.45%	\$0.28
January 4, 2021	5.00	0.39%	Nil	127%	24.39%	\$0.42

The expected volatility is based on the historic volatility and adjusted for any expected material changes to future volatility due to publicly available information. Historical volatility is based on the daily volatility from the five years prior to the grant date due to the remaining life of the options at the grant date.

d) Warrants

On February 6, 2020, the Company closed another private placement with one warrant issued with each common share. All warrants allow the holder to exercise the warrant for a common share of the Company at a price of \$0.60 and expire two years after they were issued. The warrants issued on October 31, 2018 and December 3, 2018 had an initial expiry term of two years after they were issued, but the TSXV has approved a one year extension to this term. Their updated expiry dates are now October 31, 2021 and December 3, 2021.

The Company's warrants outstanding as at March 31, 2021 and December 31, 2020 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price
		\$
Balance as at December 31, 2019	5,165,000	0.60
Granted	12,148,019	0.60
Forfeited	-	-
Balance as at December 31, 2020	17,313,019	0.60
Granted	-	-
Forfeited	-	-
Balance as at March 31, 2021	17,313,019	0.60

The total warrant reserve recorded for the three months ended March 31, 2021 was \$Nil (March 31, 2020: \$Nil).

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14. Revenue

The Company has four distinct revenue streams: trusses, engineered wood products, windows, and walls. The Company's revenues by these revenue streams for the period ended March 31, 2021 and 2020 is as follows.

Period ended March 31, 2021

	Trusses	Engineered wood products	Windows	Walls	Total
	\$	\$	\$	\$	\$
Total revenue	7,160,440	1,758,219	78,155	132,819	9,129,633

Period ended March 31, 2020

	Trusses	Engineered wood products	Windows	Walls	Total
	\$	\$	\$	\$	\$
Total revenue	5,267,674	1,452,822	377,483	-	7,097,979

15. Cost of sales

Cost of sales for the period ended March 31, 2021 and March 31, 2020 is as follows:

	March 31, 2021	March 31, 2020
	\$	\$
Materials	4,499,094	3,387,998
Labour	1,980,748	1,820,866
Maintenance and overhead	598,206	460,635
Amortization	322,863	315,806
Total cost of sales	7,400,911	5,985,305

16. Other income

Other income for the period ended March 31, 2021 and March 31, 2020 is as follows:

	March 31, 2021	March 31, 2020
	\$	\$
Interest earned and other	2,066	3,924
Sales tax commissions	1,399	1,584
Total other income	3,465	5,508

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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, and Novum.

The Company incurred the following charges as part of the Company's consolidated statement of income (loss) and comprehensive income (loss) during the period ended March 31, 2021 and March 31, 2020:

	March 31, 2021	March 31, 2020
	\$	\$
Salaries and benefits	492,269	438,584
Management fees	24,000	72,000
Administrative and office	35,550	-
Finance charge on lease obligations ¹	11,972	1,576
Share-based payments	10,402	41,716
Total related party transactions	574,193	553,876

Due from/to related parties

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

	March 31, 2021	December 31, 2020
	\$	\$
Due from related party		
Accounts receivable	-	36,391
Total due from related party	-	36,391
Due to related parties		
Accounts payable and accrued liabilities	(34,881)	(115,066)
Lease obligation (Note 11) ¹	(1,252,864)	(21,888)
Total due to related parties	(1,287,745)	(136,954)

1. A Director of the Company has a 50% ownership in a company that owns the land and building and leases the premises to our Atlas location.

These amounts were incurred in the normal course of operations and are recorded at exchange amounts as part of our consolidated statement of financial position. Accounts receivable and accounts payable and accrued liabilities are unsecured, non-interest bearing, and have no set terms of repayment.

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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 months ended March 31, 2020 and March 31, 2020, the Company had the following non-cash investing and financing activities:

Period ended March 31, 2021

- A Building lease was renewed under a right-of-use asset for \$1,314,391. As a result of the renewal there was an adjustment to the lease obligation of \$21,888;
- A Building lease was cancelled with no repayment of the residual lease liability. The outstanding principal of \$27,803 was adjusted.

Period ended March 31, 2020

During the period ended March 31, 2020, the Company had no investing or financing activities identified that did not have a direct impact on the current cash flows.

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, 2020	6,999,633	2,227,124	9,226,757
Repayments	(250,847)	(279,433)	(530,280)
Issuance	-	-	-
Non-cash – lease obligation	-	1,314,391	1,314,391
Non-cash – lease adjustment	-	(49,691)	(49,691)
Balance March 31, 2021	6,748,786	3,212,391	9,961,177

	Long-term debt	Lease obligations	Total
	\$	\$	\$
Balance December 31, 2019	8,275,599	3,388,476	11,664,075
Repayments	(6,314,005)	(1,362,161)	(7,676,166)
Issuance	5,038,039	-	5,038,039
Non-cash – lease obligation	-	200,809	200,809
Balance December 31, 2020	6,999,633	2,227,124	9,226,757

20. Financial instruments

Classification of financial instruments

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

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20. Financial instruments (continued)

Classification of financial instruments (continued)

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.

Fair value

Due to the short-term nature of cash, trade accounts receivable, accounts payable and accrued liabilities the carrying value of these financial instruments approximates their fair value. Customer deposits are short-term in nature as they are either refundable if the order is not completed or applied to an order at their carrying value. The carrying value of the customer deposits would approximate their fair value. The fair value of long-term debt is not materially different from its carrying value.

Market risk

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, this is estimated by management to increase sales by \$47,800 annually.

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, 2021, the Company is exposed to changes in market interest rates through the bank borrowings at a floating base rate. This risk is low because changes in the prime rate are not substantial and increases would not impact the consolidated financial statements significantly. If the rates were to increase 10% this would result in an increase in interest of approximately \$19,366 over the fiscal year.

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20. Financial instruments (continued)

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, 2021 and December 31, 2020 summarized below:

	March 31, 2021	December 31, 2020
	\$	\$
Classes of financial assets – carrying amounts		
Cash	1,562,705	1,816,989
Trade accounts receivable, net of loss allowance	4,891,859	5,060,502
	6,454,564	6,877,491

The Company closely monitors cash by applying a sweep account function to the subsidiary accounts and a daily bank reconciliation. The Company also requires each division to detail weekly any collection attempts of receivables over 61 days and prepares 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 March 31, 2021 and December 31, 2020 is summarized below:

	March 31, 2021	December 31, 2020
	\$	\$
Trade accounts receivable, net of loss allowance		
Current	3,455,683	3,149,790
Past due 1 to 30 days	906,447	1,347,546
Past due 31 to 60 days	241,553	283,509
Past due over 60 days	288,176	279,657
	4,891,859	5,060,502

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20. Financial instruments (continued)

Credit risk (continued)

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

As at March 31, 2021

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due over 60 days	Total
Expected loss rate	0.00%	0.00%	0.25%	0.74%	0.06%
Trade accounts receivable	3,455,683	906,447	242,158	290,320	4,894,608
Loss allowance	-	-	605	2,144	2,749

As at December 31, 2020

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due over 60 days	Total
Expected loss rate	0.00%	0.00%	0.25%	0.76%	0.06%
Trade accounts receivable	3,149,790	1,347,546	284,220	281,790	5,063,346
Loss allowance	-	-	711	2,133	2,844

The expected loss rates are based on historical credit losses and adjusted to reflect current and forward-looking information of the customers' ability to settle the receivables. This is affected and adjusted constantly based on acquisitions that bring in new customers and new information from economic conditions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company may be exposed to liquidity risks if it is unable to collect its trade and other receivables balances in a timely manner, which could in turn impact the Company's long-term ability to meeting commitments under its current facilities. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities and debt servicing ratios. The Company also forecasts and manages cash inflows and outflows on a daily, weekly and monthly basis.

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 1.61:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

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20. Financial instruments (continued)

Liquidity risk (continued)

As at March 31, 2021, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current	Current	Non-current	Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	\$	\$	\$	\$
Lease obligations	617,288	602,291	2,348,148	-
Accounts payable and accrued liabilities	3,182,659	-	-	-
Income taxes payable	207,548	-	-	-
Long-term debt	609,501	604,579	4,223,052	2,430,009
Total	4,616,996	1,206,870	6,571,200	2,430,009

As at December 31, 2020, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current	Current	Non-current	Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	\$	\$	\$	\$
Lease obligations	553,017	458,451	1,420,091	-
Accounts payable and accrued liabilities	3,055,067	-	-	-
Income taxes payable	147,489	-	-	-
Long-term debt	663,932	654,895	5,426,848	1,636,661
Total	4,419,505	1,113,346	6,846,939	1,636,661

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

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:

	March 31, 2020	December 31, 2020
	\$	\$
Long-term debt	6,748,786	6,999,633
Lease obligations	3,212,391	2,227,124
Less: Cash and cash equivalents	(1,562,705)	(1,816,989)
Net debt	8,398,472	7,409,768
Total equity	12,991,890	12,930,281
	21,390,362	20,340,049

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21. Management of capital (continued)

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.

Management reviews its capital management policies on an ongoing basis.

22. Subsequent events

a) Options

As of April 21, 2021, the Company granted 350,000 options that can be exercised at \$0.29 per common share. These options follow the share purchase plan of the Company. The fair value estimation of these options is \$268,825 after taking in to account a forfeiture rate of 24.26% based on actual forfeiture history.