



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and nine months ended September 30, 2021**

# **Management's Discussion and Analysis**

## **INTRODUCTION**

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This Management's Discussion and Analysis (the "MD&A"), dated as November 16, 2021, is for the three and nine months ended September 30, 2021. This MD&A should be read in conjunction with the unaudited consolidated financial statements for the three and nine months ended September 30, 2021 and 2020, available under Atlas Engineered Products Ltd.'s ("AEP" or "the Company") profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The referenced unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB"). All amounts included in this MD&A are expressed in Canadian dollars unless otherwise indicated.

AEP's board of directors, on the recommendation of the audit committee, has approved the content of this MD&A.

The Company is listed on the TSX Venture Exchange ("TSX-V") in Canada under the symbol AEP. All dollar amounts stated in this MD&A are expressed in Canadian dollars unless noted otherwise.

## **FORWARD-LOOKING INFORMATION**

This MD&A contains statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations up to the date of this MD&A.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms acceptable to the Company and the ability of third-party service providers to deliver services in a timely manner. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" as disclosed elsewhere in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements.

Forward-looking statements in this MD&A also include future-oriented financial information and financial outlook information ("FOFI") regarding the Company and its prospective results of operations, cash flows and components thereof. The FOFI contained in this MD&A is subject to the same assumptions, risk factors, limitations and qualifications set forth in this MD&A relating to other forward-looking statements. The FOFI contained in this MD&A is provided for the purpose of providing information regarding management's

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assessment of the Company's anticipated business operations and may not be appropriate for other purposes.

Forward-looking statements, including FOFI, contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise except as required by securities law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **NON-IFRS / NON-GAAP FINANCIAL MEASURES**

Certain measures in this MD&A do not have any standardized meaning under IFRS and, therefore are considered non-IFRS or non-GAAP measures (collectively, "non-IFRS measures"). These non-IFRS measures are used by management to facilitate the analysis and comparison of period-to-period operating results for the Company and to assess whether the Company's operations are generating sufficient operating cash flow to fund working capital needs and to fund capital expenditures. As these non-IFRS measures do not have any standardized meaning under IFRS, these measures may not be comparable to similar measures presented by other issuers. The non-IFRS measures used in this MD&A include "EBITDA", "EBITDA margin", "adjusted EBITDA", "adjusted EBITDA per share", "adjusted EBITDA margin", "normalized EBITDA", and "normalized EBITDA margin". "EBITDA" is calculated as revenue less-operating expenses before interest expense, interest income, amortization and depletion, impairment charges, and income taxes. "EBITDA margin" is EBITDA expressed as a percentage of revenues. "Adjusted EBITDA" is EBITDA after adjusting for share-based payments, foreign exchange gains or losses and non-recurring items. "Adjusted EBITDA per share" is adjusted EBITDA divided by the weighted average number of shares outstanding for the relevant period. "Adjusted EBITDA margin" is adjusted EBITDA expressed as a percentage of revenues. "Normalized EBITDA" is EBITDA adjusted for one-time items. "Normalized EBITDA margin" is normalized EBITDA expressed as a percentage of revenues. Further information regarding these measures can be found in the "Non-IFRS Measures" section of this MD&A.

### CORPORATE PROFILE

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Atlas Engineered Products Ltd. ("AEP" or "the Company") designs, manufactures and sells engineered roof trusses, floortrusses, wall panels, and windows. The Company also distributes a range of engineered wood products and patio doors for use by builders of residential and commercial wood-framed buildings. These include single family homes, townhouses, multi-story wood-framed residential buildings, commercial buildings and agricultural structures. The Company's corporate office is located at 2005 Boxwood Road, Nanaimo, British Columbia V9S 5X9.

Since going public on November 6, 2017, the Company has grown its Canadian footprint with six operations in British Columbia, Manitoba and Ontario. Its six plants consist of: Atlas Building Systems ("Atlas") (formally Coastal Windows), Pacer Building Components ("Pacer"), Clinton Building Components ("Clinton"), Satellite Building Components ("Satellite"), South Central Building Systems ("SC"), and Novum Building Components ("Novum").

### OVERALL STRATEGY

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The Company's strategy is focused on profitability and organic revenue growth within its current markets, and the pursuit of a roll-up acquisition strategy to consolidate similar companies operating in the truss and engineered wood products industry across Canada.

To pursue its business strategy, the Company's specific objectives are to:

- I. Drive revenue growth within all operating markets by developing and enhancing the Company's sales teams, products, and services.
- II. Lower operating costs by introducing scale economies in procurement and leveraging the strategic deployment of design, engineering, and transportation resources for the benefit of all operating locations.
- III. Broaden the product offerings available within each of the Company's operating markets. A core focus was to target roof truss manufacturing companies. However, there is massive organic growth potential in complementary product lines such as all types of engineered wood, engineered floor trusses, and wall-panels and modular systems. The Company is actively pursuing the development and introduction of complementary product lines across all its facilities.
- IV. Acquire revenue and profit accretive businesses that strategically expand the Company's geographic footprint.

The Company believes its strategy provides for several competitive advantages, including:

- Strong regional and national leadership;
- Accumulated design and manufacturing know-how and deep operational expertise;
- Design, engineering and manufacturing capabilities;
- Strong regional networks of loyal clientele;
- Scalability of operations;
- Replicable operational practices and methods; and
- Employee growth through enhanced training and advancement opportunities nationally.

The strong performance of the Company's founding Atlas operations in Nanaimo, BC, serves as the Company's benchmark for operational and financial performance, and for evaluating potential targets in the truss and engineered wood products sector.

The Company believes the owners of many Canadian truss companies will be seeking to sell their businesses over the next several years. The Company's acquisition program has been designed to provide an exit strategy for these owner/managers and to integrate target companies in a manner that strategically increases the Company's share of the Canadian market, while positioning the acquired entities for significant growth in their respective markets and for their pre-existing employees.

To date, the Company has focused on the Pacific Region, Ontario and the Canadian Prairies. These regions have the most buoyant residential construction markets and the largest number of truss plants. However, the Company intends to remain opportunistic should other strategically valuable options present themselves.

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### OUTLOOK

The Company's objective for 2021 is to continue focusing on improved operations, equipment utilization, and technological advancements to benefit and enhance the Company's performance. The Company has seen a strong start to 2021 within the construction industry and through its third quarter results. The Company expects to continue to see this impact in the quarterly results as demand remains high.

On a pro-forma basis, taking seasonality into account, management believes focused marketing activities, the addition of new product lines, leveling of raw material costs, and the focus on improving costs, should enable these targets to be achievable, but that will depend on the ongoing significant fluctuations in lumber pricing, material shortages, and any lasting impacts of the COVID-19 pandemic.

The Company continues to assess M&A opportunities that fit with the Company's goals and strategies. This has been bolstered by the new financing and credit partnership with TD Canada Trust giving the Company access to more funding for acquisitive growth.

### FINANCIAL HIGHLIGHTS

The Company's results for the three and nine months ended September 30, 2021 include full period results from all locations. For the comparative nine months ended September 30, 2020, the Company's results do not include a full three and nine months results from Novum in Abbotsford, BC as the acquisition was completed on July 20, 2020, all other locations are included for the full comparative periods.

#### Summary of Financial Results

Revenue:

- Overall revenue for the three and nine months ended September 30, 2021 was \$17,563,359 and \$41,101,422 which represents an increase from \$9,677,692 and \$24,676,476 for the three and nine months ended September 30, 2020. Revenue increased due to a number of factors including product line expansion, organic growth, and acquisitive growth with the Novum acquisition as of July 20, 2020 compared to the prior period. Revenues also increased during the period due to higher raw material costs which are passed through in the Company's sales prices. As the Company passes through the cost of raw materials in its product pricing, overall revenues may fluctuate somewhat with the price of raw materials.
- Additionally, revenues increased to \$17,563,359 for the three months ended September 30, 2021 from \$14,408,430 for the three months ended June 30, 2021. This represents an 22% increase quarter over quarter. This increase from Q2 2021 to Q3 2021 is consistent with the Company's quarter over quarter results for 2020 as Q3 is typically the Company's best fiscal quarter due to seasonality in the construction industry.

SUMMARY OF QUARTERLY REVENUES	Sept 2021	June 2021	Mar 2021
Revenues	\$17,563,359	\$14,408,430	\$9,129,633
% Increase over previous quarter	22%	58%	

EBITDA, Adjusted EBITDA & Normalized EBITDA Margin:

EBITDA SUMMARY	Three Months Ended		Nine Months Ended		Year Ended
	Sept 2021	Sept 2020	Sept 2021	Sept 2020	Dec 2020
EBITDA	\$4,419,712	\$1,418,044	\$8,004,573	\$2,332,100	\$3,722,710
Adjusted EBITDA	4,444,906	1,175,598	8,097,592	1,957,190	3,346,671
Normalized EBITDA	4,444,906	1,363,275	8,429,294	2,542,363	4,045,232

- Non-IFRS EBITDA for the three and nine months ended September 30, 2021 was \$4,419,712 and

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\$8,004,573 with an EBITDA margin of 25% and 19%, respectively. EBITDA for the three and nine months ended September 30, 2020 was \$1,418,044 and \$2,332,100 with an EBITDA margin of 15% and 9%, respectively. EBITDA and EBITDA margin for the three and nine months ended September 30, 2021 increased by 212% and 243%, respectively, compared to the three and nine months ended September 30, 2020 due to increased net income for the period resulting from increased sales, improved gross margins, and reduced operating expenses.

EBITDA SUMMARY	Three Months Ended		Nine Months Ended	
	Sept 2021	Sept 2020	Sept 2021	Sept 2020
EBITDA Margin	25%	15%	19%	9%
Adjusted EBITDA Margin	25%	12%	20%	8%
Normalized EBITDA Margin	25%	14%	21%	10%

- Non-IFRS measures adjusted EBITDA and normalized EBITDA increased to \$8,097,592 and \$8,429,294, respectively for the nine months ended September 30, 2021 from \$1,957,190 and \$2,542,363 respectively for the nine months ended September 30, 2020 as shown above. These significant improvements were also due to increased sales, improved gross margins, and reduced operating costs (See "Non-IFRS Financial Measures on page 9").

### Cost of Sales & Gross Margin:

- Cost of sales for the three and nine months ended September 30, 2021 was \$12,113,355 and \$30,128,469 compared to \$7,552,880 and \$19,569,812 for the three and nine months ended September 30, 2020. This increase in cost of sales was mainly due to increased raw material costs and an increase in sales.
- Gross profits for the three and nine months ended September 30, 2021 of \$5,450,004 and \$10,972,953, respectively, were more than double gross profits for the three (\$2,124,812) and nine months (\$5,106,664) ended September 30, 2020. Gross margin for the three and nine months ended September 30, 2021 was 31% and 27%, which was up from a gross margin of 22% and 21% for the three and nine months ended September 30, 2020. Gross margins increased due to pricing assessments and updates being completed at all locations. During the three months ended September 30, 2021, some raw material prices started to drop significantly while several jobs and contracts were still priced at higher material cost. This helped offset the impacts the Company faced while those material prices were rising steeply and some pricing could not be adjusted where contracts were signed. Additionally, the Company has begun utilizing some automated equipment that was purchased earlier in the fiscal 2021. This equipment has led to greater production output without requiring further labour costs therefore increasing efficiency and gross margins.
- Gross margin also increased to 31% for the three months ended September 30, 2021 from 26% for the three months ended June 30, 2021. This represents a 18% increase as show in the graph below. Gross margin has increased quarter over quarter due to the automated equipment that was purchased earlier in fiscal 2021 which is leading to greater production output and labour efficiencies at the location where the equipment is in use. During the three months ended September 30, 2021, some raw material prices started to drop significantly while several jobs and contracts were still priced at higher material cost. This helped offset the impacts the Company faced while those material prices were rising steeply and some pricing could not be adjusted where contracts were signed.

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SUMMARY OF QUARTERLY GROSS MARGINS	Sept 2021	June 2021	Mar 2021
Revenues	\$17,563,359	\$14,408,430	\$9,129,633
Gross Margin	31%	26%	19%
% Increase over previous quarter	18%	39%	

### Net Income:

- Net income was \$2,793,913 and \$4,494,480 for the three and nine months ended September 30, 2021 compared to net income of \$419,589 for the three months ended September 30, 2020 and a net loss of \$122,771 for the nine months ended September 30, 2020. The Company recorded an increase in net income for the nine months ended September 30, 2021 of \$4,617,251 compared to the nine months ended September 30, 2020 due to the significant increase in sales, improvement in gross margin, and reduced operating expenses.

SELECTED FINANCIAL RESULTS	Three Months Ended		Nine Months Ended	
	Sept 2021	Sept 2020	Sept 2021	Sept 2020
Revenue from the Business	\$17,563,359	\$9,677,692	\$41,101,422	\$24,676,476
Cost of Sales	12,113,355	7,552,880	30,128,469	19,569,812
<b>Gross Profit</b>	<b>5,450,004</b>	<b>2,124,812</b>	<b>10,972,953</b>	<b>5,106,664</b>
Gross Margin %	31%	22%	27%	21%
Operating Expenses	1,563,116	1,641,994	4,696,082	5,241,255
<b>Operating Income (Loss)</b>	<b>3,886,888</b>	<b>482,818</b>	<b>6,276,871</b>	<b>(134,591)</b>
Net Income (Loss) After Adjustments and Taxes	2,793,913	419,589	4,494,480	(122,771)
<b>Adjusted EBITDA</b>	<b>4,444,906</b>	<b>1,175,598</b>	<b>8,097,592</b>	<b>1,957,190</b>
Adjusted EBITDA Margin %	25%	12%	20%	8%
<b>Normalized EBITDA</b>	<b>4,444,906</b>	<b>1,363,275</b>	<b>8,429,294</b>	<b>2,542,363</b>
Normalized EBITDA Margin %	25%	14%	21%	10%
Weighted Average Number of Shares	57,725,730	57,725,730	57,725,730	56,126,635
Adjusted EBITDA per Share (\$ per share)	0.08	0.02	0.14	0.03
Income (loss) per Share, Basic and Fully Diluted (\$ per share)	0.05	0.01	0.08	(0.00)

### Selected Financial Information as at:

	Sept 2021	Dec 2020
Total Assets	\$34,397,126	\$27,092,639
Total Non-Current Liabilities	8,540,356	8,889,324

### Summary of Quarterly Financial Results

The following table sets forth selected financial information from the Company's quarterly financial statements for each of the eight most recently completed quarters. See below under Results of Operations

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for more details.

SUMMARY OF QUARTERLY RESULTS	Sept 2021	June 2021	Mar 2021	Dec 2020	Sept 2020	June 2020	Mar 2020	Dec 2019
Revenues	\$17,563,359	\$14,408,430	\$9,129,633	\$11,057,939	\$9,677,692	\$7,900,805	\$7,097,979	\$9,027,723
Net income (loss)	\$2,793,913	\$1,649,359	\$51,208	\$351,757	\$419,589	\$220,601	(\$762,961)	(\$1,010,096)
Net income (loss) per share <sup>(1)</sup>	0.05	0.03	0.00	0.01	0.01	0.00	(0.01)	(0.02)

<sup>(1)</sup> The basic and diluted income per share calculations result in the same amount due to there not being any outstanding instruments that would be anti-dilutive.

## RESULTS OF OPERATIONS

### Three Months Ended September 30, 2021

Revenue for the three months ended September 30, 2021 was \$17,563,359 compared to revenue of \$9,677,692 for the three months ended September 30, 2020. Revenue has increased due to organic growth through product line expansion in engineered wood products and wall panels and the addition of Novum which was part of the group only from July 20, 2020 onwards during the comparative three months ended September 30, 2020. Additionally, during the period sales pricing was adjusted to reflect higher raw material costs compared to the prior period, which has resulted in higher sales values. As the Company passes through the cost of raw materials in its product pricing, overall revenues may fluctuate somewhat with the price of raw materials.

Cost of sales for the three months ended September 30, 2021 was \$12,113,355 compared to \$7,552,880 for the three months ended September 30, 2020. Cost of sales has increased primarily due to the increase in sales compared to the prior period. Additionally, there has been increased raw material costs, new product lines have been established, and the acquisition of Novum in July of 2020, which added sales and related costs.

Gross profit for the three months ended September 30, 2021 was \$5,450,004 compared to \$2,124,812 for the three months ended September 30, 2020. Gross margin for the three months ended September 30, 2021 was 31%, which is higher than gross margin of 22% for the three months ended September 30, 2020. Gross profits and margins increased due to pricing assessments and updates being completed at all locations. During the three months ended September 30, 2021, some raw material prices started to drop significantly while several jobs and contracts were still priced at higher material cost. This helped offset the impacts the Company faced while those material prices were rising steeply and some pricing could not be adjusted where contracts were signed. Additionally, the Company has also focused on improving efficiencies on new product lines and new acquisitions, as well as, the Company's core product lines with more automated manufacturing equipment purchased at the end of January 2021.

Operating expenses were \$1,563,116 for the three months ended September 30, 2021 compared to \$1,641,994 for the three months ended September 30, 2020, representing an improvement of 5%. Operating expenses is similar to the prior period because the Company started implementing significant cost cutting savings at the onset of the COVID-19 pandemic in March 2020.

The Company recorded a net income aftertaxes of \$2,793,913 (\$0.05 per share) for the three months ended September 30, 2021 compared to a net income after taxes of \$419,589 (\$0.01 per share) for the three months ended September 30, 2020. The Company recorded a higher net income after taxes in the current period due to increased revenues, increased margins, and reduced operating expenses.

Administrative and office for the three months ended September 30, 2021 \$358,599 (three months ended September 31, 2020 – \$369,526). Administrative and office expenses have remained consistent to the comparative period due to the cost cutting savings implemented for the current and prior periods as of March 2020.

Depreciation for the three months ended September 30, 2021 \$312,617 (three months ended September

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30, 2020 – \$362,997). Overall depreciation decreased from the prior period due to no significant changes in assets that were not directly related to manufacturing and the Company's amortization policy which is based on a declining balance basis. During the three months ended September 30, 2021, \$351,015 in additional depreciation was included in cost of sales (three months ended September 30, 2020 – \$352,007).

Management fees for the three months ended September 30, 2021 \$30,600 (three months ended September 30, 2020 – \$71,200). Management fees decreased due to a change from a consulting contract to an employment relationship.

Professional fees for the three months ended September 30, 2021 \$50,075 (three months ended September 30, 2020 – \$104,015). Professional fees decreased as there was no acquisitions, special work or projects requiring professionals in the current period compared to the asset acquisition of Novum in the comparative period.

Salaries and benefits for the three months ended September 30, 2021 \$778,928 (three months ended September 30, 2020– \$714,338). Salaries and benefits increased due to a change in a consulting contract to an employment relationship and a reimbursement of the salary cuts implemented in the prior fiscal year 2020 due to the hard work and results accomplished.

Share-based payments for the three months ended September 30, 2021 \$30,378 (three months ended September 30, 2020– \$18,230). The share-based payments has increased compared to the prior period due to the vesting requirements of the options issued. Options are expensed over eighteen months as they vest and options were issued in April of 2021.

### Nine Months Ended September 30, 2021

Revenue for the nine months ended September 30, 2021 was \$41,101,422 compared to revenue of \$24,676,476 for the nine months ended September 30, 2020. Revenue has increased due to organic growth through product line expansion in engineered wood products and wall panels and the addition of Novum which was only part of the group since July 20, 2020 for the comparative period. Additionally, sales pricing during the period was adjusted to reflect sharply rising raw material costs, which has resulted in higher sales values. As the Company passes through the cost of raw materials in its product pricing, overall revenues may fluctuate somewhat with the price of raw materials.

Cost of sales for the nine months ended September 30, 2021 was \$30,128,469 compared to \$19,569,812 for the nine months ended September 30, 2020. Cost of sales has increased primarily due to the increase in sales compared to the prior period. Additionally, there has been higher raw material costs, new product lines have been established, and the acquisition of Novum in July of 2020, which added sales and related costs.

Gross profit for the nine months ended September 30, 2021 was \$10,972,953 compared to \$5,106,664 for the nine months ended September 30, 2020. Gross margin for the nine months ended September 30, 2021 was 27%, which is higher than gross margin of 21% for the nine months ended September 30, 2020. Gross profits and margins increased due to pricing assessments and updates being completed at all locations as raw material prices fluctuated. Additionally, the Company has also focused on improving efficiencies on new product lines and new acquisitions, as well as, the Company's core product lines with more automated manufacturing equipment purchased at the end of January 2021.

Operating expenses were \$4,696,082 for the nine months ended September 30, 2021 compared to \$5,241,255 for the nine months ended September 30, 2020, representing an improvement of 12%. Operating expenses have decreased due to the Company's cost saving measures and focus on profitability.

The Company recorded a net income of \$4,494,480 (\$0.08 per share) for the nine months ended September 30, 2021 compared to a net loss of \$(122,771) (\$0.00 per share) for the nine months ended September 30, 2020. The Company recorded a higher net income after taxes in the current period due to increased

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revenues, increased margins, and significantly reduced operating expenses.

Administrative and office for the nine months ended September 30, 2021 \$1,009,918 (nine months ended September 30, 2020 – \$1,509,711). Administrative and office expenses has significantly decreased due to the Company's efforts and focus on reducing overhead costs and improving profitability during the COVID-19 pandemic.

Depreciation for the nine months ended September 30, 2021 \$948,165 (nine months ended September 30, 2020 – \$1,056,195). Overall depreciation decreased slightly from the prior period due to no significant changes in assets that were not directly related to manufacturing and the Company's amortization policy which is based on a declining balance basis. During the nine months ended September 30, 2021, \$1,008,147 in additional depreciation was included in cost of sales (nine months ended September 30, 2020 – \$949,788). This slight increase is due to the manufacturing equipment that was purchased at the end of January 2021.

Management fees for the nine months ended September 30, 2021 \$55,246 (nine months ended September 30, 2020 – \$206,200). Management fees decreased due to a change from a consulting contract to an employment relationship.

Professional fees for the nine months ended September 30, 2021 \$171,470 (nine months ended September 30, 2020 – \$323,563). Professional fees decreased as there was no acquisitions, special work or projects requiring professionals in the current period compared to the prior period when the asset acquisition of Novum was completed July 20, 2020.

Salaries and benefits for the nine months ended September 30, 2021 \$2,438,788 (nine months ended September 30, 2020 – \$2,054,867). There is an increase in salaries and benefits due to a change in a consulting contract to an employment relationship, severance costs in the first quarter of 2021, and a reimbursement of the salary cuts implemented in the prior fiscal year 2020 due to the hard work and results accomplished.

Share-based payments for the nine months ended September 30, 2021 \$69,824 (nine months ended September 30, 2020 – \$85,798). This has decreased due to the number of options being expensed in the comparative periods which was higher than the current period. Options are expensed over eighteen months as they vest.

### One-time Costs

The Company incurred \$NIL and \$331,702 in one-time and non-recurring costs related to employment and severance costs during the three and nine months ended September 30, 2021. These costs are not expected to be ongoing each year and/or period and are added back into normalized EBITDA calculations. The Company incurred one-time and non-recurring costs of \$187,677 and \$585,173 for the three and nine months ended September 30, 2020.

### Non-IFRS Financial Measures – EBITDA, Adjusted EBITDA, and Normalized EBITDA

EBITDA is a non-IFRS measure that provides an indication of whether the Company's operations are generating sufficient operating cash flow to fund working capital needs and to fund capital expenditures. EBITDA comprises revenue less operating expenses before interest expense, interest income, depreciation, impairment charges, and income taxes. EBITDA margin is EBITDA expressed as a percentage of revenues.

Adjusted EBITDA is a non-IFRS measure in which standard EBITDA (earnings before interest expense, interest income, taxes, depreciation, and impairment charges) is adjusted for share-based payments expense, foreign exchange gains or losses, and non-cash items. Foreign exchange gains or losses may consist of both realized and unrealized losses. Under IFRS, entities must reflect in compensation expense the cost of share-based payments. In the Company's circumstances, share-based payments can involve a significant accrual of amounts that will not be settled in cash but are settled by the issuance of shares in

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exchange. The Company discloses adjusted EBITDA to aid in understanding of the results of the Company and is meant to provide further information about the Company's financial results to investors. Adjusted EBITDA margin is adjusted EBITDA expressed as a percentage of revenues.

Normalized EBITDA is adjusted EBITDA adjusted for one-time costs and non-recurring items that the Company has incurred during the period related to employment and severance costs. Normalized EBITDA margin is normalized EBITDA expressed as a percentage of revenues.

EBITDA for the three and nine months ended September 30, 2021 was \$4,419,712 and \$8,004,573, respectively, with an EBITDA margin of 25% and 19%, respectively. EBITDA for the three and nine months ended September 30, 2020 was \$1,418,044 and \$2,332,100, respectively, with an EBITDA margin of 15% and 9%, respectively. EBITDA for the three and nine months ended September 30, 2021 increased by 212% and 243%, respectively compared to the three and nine months ended September 30, 2020 due to increased net income for the period resulting from increased sales, improved gross margins, and reduced operating expenses.

Adjusted EBITDA margin for the three and nine months ended September 30, 2021 was 25% and 20%, which is an increase from 12% and 8% for the three and nine months ended September 30, 2020. Normalized EBITDA margin also increased to 25% and 21% for the three and nine months ended September 30, 2021 from 14% and 10% for the three and nine months ended September 30, 2020. These increases were mainly due to increased sales, improved gross margins, and reduced operating costs.

EBITDA, Adjusted EBITDA, and Normalized EBITDA Calculation	Three Months Ended		Nine Months Ended	
	Sept 2021	Sept 2020	Sept 2021	Sept 2020
<b>Net income (loss) for the period as reported</b>	\$2,793,913	\$419,589	\$4,494,480	(\$122,771)
Interest earned	(6,677)	(3,498)	(14,563)	(16,862)
Interest expense	60,765	103,398	188,001	332,341
Income tax expense (recovery)	863,086	178,906	1,240,150	(12,046)
Finance charge on leases	44,992	45,099	140,193	145,455
Depreciation	663,633	674,550	1,956,312	2,005,983
<b>EBITDA</b>	<b>4,419,712</b>	<b>1,418,044</b>	<b>8,004,573</b>	<b>2,332,100</b>
Loss on disposal of equipment	2,124	21,502	13,087	18,910
Canadian emergency wage subsidy	-	(287,610)	-	(462,660)
Foreign exchange loss (gain)	(7,308)	5,432	10,108	(16,958)
Share-based payments	30,378	18,230	69,824	85,798
<b>Adjusted EBITDA</b>	<b>4,444,906</b>	<b>1,175,598</b>	<b>8,097,592</b>	<b>1,957,190</b>
Revenue	17,563,359	9,677,692	41,101,422	24,676,476
<b>EBITDA Margin %</b>	<b>25%</b>	<b>15%</b>	<b>19%</b>	<b>9%</b>
<b>Adjusted EBITDA Margin %</b>	<b>25%</b>	<b>12%</b>	<b>20%</b>	<b>8%</b>
One time costs	-	187,677	331,702	585,173
<b>Normalized EBITDA</b>	<b>4,444,906</b>	<b>1,363,275</b>	<b>8,429,294</b>	<b>2,542,363</b>
<b>Normalized EBITDA Margin %</b>	<b>25%</b>	<b>14%</b>	<b>21%</b>	<b>10%</b>

### 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 include directors and executive officers of the Company. Other than the amounts disclosed above, there was no other compensation paid or payable to key management personnel for employee services for the reported periods.

## Management's Discussion and Analysis

The Company incurred the following charges as part of the Company's consolidated statement of income (loss) and comprehensive income (loss) during the three and nine months ended September 30, 2021 and 2020.

	Three months ended September 30, 2021		Nine months ended September 30, 2021	
	\$	\$	\$	\$
Salaries and benefits	219,947	284,962	865,267	757,668
Management fees	30,600	61,200	54,600	206,200
Administrative and office	27,000	30,000	88,550	80,500
Finance charge on lease obligations <sup>1</sup>	17,169	1,966	47,126	8,746
Share-based compensation	30,378	17,175	69,824	80,834
Total related party transactions	325,094	395,303	1,125,367	1,133,948

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

	September 30, 2021	December 31, 2020
	\$	\$
<b>Due from related party</b>		
Accounts receivable	-	36,391
<b>Total due from related party</b>	<b>-</b>	<b>36,391</b>
<b>Due to related parties</b>		
Accounts payable and accrued liabilities	(10,000)	(115,066)
Lease obligation (Note 12) <sup>1</sup>	(1,141,018)	(21,888)
<b>Total due to related parties</b>	<b>(1,151,018)</b>	<b>(136,954)</b>

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.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. In the management of capital, the Company includes its components of shareholders' equity.

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. The Company is not subject to externally imposed capital requirements.

The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements.

The Company's total assets have increased to \$34,397,126 as at September 30, 2021 compared to \$27,092,639 as at December 31, 2020. This is mainly due to increasing cash and accounts receivable due to increased sales and profits. The increase is also due to the significant manufacturing asset purchase at the end of January 2021. The Company's total liabilities have increased to \$16,902,540 as at September 30, 2021 from \$14,162,358 as at December 31, 2020 mainly due to increased accounts payable because of increased material costs and increased income taxes payable due to increased profits.

As at September 30, 2021, the Company held cash of \$4,412,754 and had working capital of \$8,493,293 (December 31, 2020 – cash of \$1,816,989 and working capital of \$4,500,009). Working capital has increased mainly due to increased revenues and profits impacting cash and accounts receivable.

## Management's Discussion and Analysis

During the three and nine months ended September 30, 2021, net cash provided by operating activities was \$3,264,554 and \$5,381,235 (three and nine months ended September 30, 2020, net cash provided - \$672,259 and \$206,960). The significant increase during the three and nine months ended September 30, 2021 as compared to the three and nine months ended September 30, 2020 is mainly due to the increase in net income for the period.

Net cash used in investing activities for the three and nine months ended September 30, 2021 was \$10,311 and \$1,243,360 (three and nine months ended September 30, 2020 - \$485,048 and \$600,696). The decrease in cash used in investing activities during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was because in the comparative period the Company completed the Novum asset acquisition. The current period did not have any significant asset acquisitions. The increase in cash used in investing activities during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was due to the manufacturing equipment acquired at the end of January 2021 for \$958,160 plus taxes.

Cash used in financing activities for the three and nine months ended September 30, 2021 was \$505,495 and \$1,542,110 (three and nine months ended September 30, 2020, used in - \$(617,418) and provided by - \$1,239,700). The change in cash used in financing activities for the three months ended September 30, 2021 was comparative to the three months ended September 30, 2020. No changes in debt occurred during this period. The change in cash used in financing activities for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was due to the closing of a private placement in the comparative period. The current period did not involve a private placement and only consisted of debt repayment.

### CAPITAL EXPENDITURES

During the three and nine months ended September 30, 2021, the Company used cash to acquire equipment of \$41,757 and \$1,278,320, (three and nine months ended September 30, 2020 - \$133,574 and \$274,874). During the three months ended September 30, 2021 there was no significant acquisition of assets compared to the three months ended September 30, 2020 which included some manufacturing asset acquisitions. Overall buildings and equipment increased in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 due to the manufacturing equipment purchased for \$958,160 plus taxes and some IT upgrades at some locations.

### FINANCIAL INSTRUMENTS

#### Fair value of financial instruments

Due to the short-term nature of cash, trade accounts receivable, accounts payable and accrued liabilities the carrying value of these financial instruments approximate 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 their carrying value.

#### 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.

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

## Management's Discussion and Analysis

focus on securing the Company's cash flows by minimizing the exposure to volatile financial instrument risks.

### Financial and capital risk management

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 interest rate risk, credit risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

## CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies with the most significant effect on the amounts recognized in the Company's financial statements are as follows:

### Key sources of estimation uncertainty

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

## SECURITIES OUTSTANDING

As at November 16, 2021, the Company's outstanding share information was as follows:

Security	Number	Exercise Price	Expiry Date
Issued and outstanding common shares	57,725,730	NA	NA
Stock options	1,200,000	0.49	08-Nov-22
Stock options	450,000	0.60	05-Feb-23
Stock options	95,000	0.53	21-Feb-23
Stock options	525,000	0.30	03-Mar-24
Stock options	100,000	0.49	04-Jan-26
Stock options	350,000	0.29	21-Apr-26
<b>Total Options</b>	<b>2,720,000</b>		

The Company also has 17,313,019 outstanding warrants that can be exercised at \$0.60. 5,165,000 warrants were originally set to expire on October 31, 2020 and on December 3, 2020, but the Company extended these warrants to October 31, 2021 and December 3, 2021, respectively. The remaining 12,148,019 expire on February 6, 2022.

## DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the three and nine months ended September 30, 2021 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109 the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and

## Management's Discussion and Analysis

internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its filings on SEDAR at [www.sedar.com](http://www.sedar.com).

### RISKS AND UNCERTAINTIES

The Company's business and financial prospects are subject to several risks and uncertainties, including operational, financial and regulatory risks. The risks described below are not the only ones that the Company may face. If any of these risks occur, the Company's business, financial position and its results of operation could be materially and adversely affected.

#### **Business Development, Marketing and Sales Risk**

The Company's future growth and profitability will depend on the effectiveness and efficiency of its national and potentially future international business development, marketing and sales strategy, including the Company's ability to (i) consolidate the market via strategic acquisitions; (ii) determine appropriate business development, marketing and sales strategies and (iii) maintain acceptable operating margins on such costs. There can be no assurance that business development, marketing and sales costs will result in revenues for the Company in the future or will generate awareness of the Company's products and services. In addition, no assurance can be given that the Company will be able to manage the Company's business development, marketing and sales costs on a cost-effective basis.

#### **Brand Awareness**

The Company's expansion of its products and services depends on increasing market consolidation through strategic acquisitions and maintaining customer loyalty in these captive markets before another company decides to move into the market and follow a similar business objective of market consolidation through acquisition. There is no assurance that the Company will be able to increase brand awareness. In addition, the Company must successfully develop a market for its products in order to sell its products. If the Company is not able to successfully develop a market for its products, then such failure will have a material adverse effect on the business, financial condition and operating results of the Company.

#### **Growth Risk**

A key component of the Company's strategy is to continue to grow, both by increasing sales and earnings in existing markets with existing products, and by expanding into new markets and products. There can be no assurance that the Company will be successful in growing its business or in managing its growth. The Company's growth depends on, among other things:

- identifying and developing new markets and products;
- identifying and acquiring other businesses that are suitable acquisition candidates;
- successfully integrating any acquired businesses with existing operations;
- establishing and maintaining favourable relationships with customers in new markets, and maintaining these relationships in existing markets;
- establishing and maintaining favourable relationships with suppliers in new markets, and maintaining these relationships in existing markets; and
- successfully managing expansion and obtaining required financing.

In addition, the Company will depend on its ability to implement and integrate the following elements of its growth strategy:

- develop and expand sales through acquisitions;
- introduce new product lines; and
- carry out acquisitions, including identifying to the extent possible liabilities of the newly acquired businesses.

#### **Management of Growth**

## **Management's Discussion and Analysis**

The inability of the Company to successfully manage its growth could have a material adverse effect on its operating results and cause its results from operations to fluctuate. As part of the Company's growth strategy, it intends to introduce new product lines, pursue acquisitions and expand sales to existing and new customers, in new and existing territories. The Company's expense levels are based, in part, on expected future revenues and the Company is constrained in its ability to reduce expenses quickly if for any reason its sales levels do not meet expectations in a quarter or period. Furthermore, rapid expansion may place a significant strain on the Company's senior management team and other key personnel as well as its business processes, operations and other resources. The Company's ability to manage growth will also depend in part on its ability to continue to enhance its management information systems in a timely fashion, particularly if customer demands change in ways that the Company does not anticipate. Any inability to manage growth could result in delivery delays and cancellation of customer orders, which could have a material adverse effect on the Company's business.

### **Maintenance Obligations and Facility Disruptions**

The Company's manufacturing processes are vulnerable to operational problems that could impair the ability to manufacture products. The Company could experience a breakdown in any of their machines or other important equipment, and from time to time, planned or unplanned maintenance outages that cannot be performed safely or efficiently during normal hours of operation. Such disruptions could cause a loss of production, which could potentially have a material adverse effect on the business, financial condition and operating results.

### **Dependence on the Housing, Construction, Repair and Remodelling Market**

The demand for the Company products is primarily affected by the level of new wood-framed residential and commercial construction activity and, to a lesser extent, repair and remodeling activity and other industrial uses, which are subject to fluctuations due to changes in general economic conditions. Decreases in the level of residential construction activity generally results in lower revenues, profits and cash flows for builders who are important customers to the Company.

### **Fluctuations in Prices and Demand for and Selling Price of Lumber**

The Company's financial performance principally depends on the demand for and selling price of its products. The markets for lumber products are cyclical and are subject to significant fluctuations. The markets for lumber are highly volatile and are affected by factors such as North American economic conditions, including the strength of the Canadian and U.S. housing market, the growing importance of the Asian market, changes in industry production capacity, changes in inventory levels and other factors beyond the Company's control. In addition, interest rates have a significant effect on residential construction and renovation activity, which in turn influences the demand for and price of lumber.

### **Product Liability Claims**

The Company produces engineered products and each product design is certified by a professional engineer. Each of these certified products is then inspected and is subject to the building plan and permit which in turn is covered by new homes and buildings protection liability insurance policies.

Although the Company believes that it maintains adequate insurance coverage, it may from time to time be subject to claims for damages resulting from defects in products that it supplies. Product liability claims, even if unsuccessful, may result in significant litigation costs to defend the claims as well as other costs incurred to remedy the problem, such as product recalls, which could substantially increase the Company's expenses. Successful or partially successful product liability claims could result in significant monetary liability and could seriously disrupt the Business, particularly if the Company's insurance coverage is inadequate or unavailable in respect of any such claims.

Furthermore, a highly publicized actual or perceived problem with products that the Company supplies could

## **Management's Discussion and Analysis**

adversely affect the market's perception of its products which may result in a decline in demand for products supplied by the Company, thereby reducing the Company's revenues and operating results, which could have a material adverse effect on its business.

### **Uninsured or Uninsurable Risk**

The Company may become subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

### **Competition**

The Company may face significant competition in selling its products and services. Many competitors may have substantial marketing, financial, development and personnel resources. To remain competitive, the Company believes that it must effectively and economically provide: (i) products and services that satisfy customer demands, (ii) superior sales and customer service, (iii) high levels of quality and reliability, and (iv) dependable and efficient distribution networks. Increased competition may require the Company to reduce prices or increase spending on sales and marketing and customer support, which may have a material adverse effect on its financial condition and results of operations. Any decrease in the quality of the Company's products or level of service to customers or any occurrence of a price war among the Company's competitors and the Company may adversely affect the business and its results from operations.

### **Patent Infringement**

While the Company believes that its products and operations will not violate the intellectual property rights of third parties, other parties could bring legal actions against the Company claiming damages and seeking to enjoin the marketing and sale of the Company's products for allegedly conflicting with patents held by them. Any such litigation could result in substantial cost to the Company and diversion of effort by its management and technical personnel. If any such actions are successful, in addition to any potential liability for damages, the Company could be required to obtain a license in order to continue to market the affected products. There can be no assurance that the Company would prevail in such action or that any license required under any such patent would be available on acceptable terms, if at all. Failure to obtain needed patents, licenses or proprietary information held by others may have material adverse effect on the Company's business. In addition, if the Company was to become involved in such litigation, it could consume a substantial portion of the Company's time and resources.

### **Cyber Security Risk**

The Company relies on information technology systems and networks in its operations. The Company could be materially and adversely affected if the information technology systems or networks are compromised by malicious cyber attacks. This information technology infrastructure may be subject to security breaches or other cybersecurity incidents. In addition, these systems may be compromised by natural disasters or defects in software or hardware systems. The consequences of the Company's information technology systems being compromised potentially include material and adverse impacts on its financial condition, operations, production or sales, due to disruption of its business activities, and access to, and/or compromising of, proprietary sensitive information, including confidential customer or employee information, litigation and regulatory costs, devaluation of any intellectual property and reputation harm. While the Company believes it takes appropriate precautions considering cyber security risks, there can be no assurance that it may not be subject to cyber security risks or attack, which could have a material adverse effect on business or results of operations.

### **Obsolescence**

Maintaining a competitive position requires constant growth, development and strategic marketing and

## **Management's Discussion and Analysis**

planning. If the Company is unable to maintain a technological advantage, the Company's ability to grow its business will be adversely affected and its products may become obsolete compared with other technologies.

### **Results of Operations and Financing Risks**

Management believes, based on its expectations as to the future performance of the Company, that the cash flow from its operations and funds available to it will be adequate to enable the Company to finance its operations, execute its business strategy and maintain an adequate level of liquidity. However, expected revenue and the costs of planned capital expenditures are only estimates. Actual cash flows from operations are dependent on regulatory, market and other conditions that will be beyond the control of the Company. As such, no assurance can be given that management's expectations as to future performance will be realized. In addition, management's expectations as to the future performance of the Company reflect the current state of its information about recently acquired assets or entities, assets or entities currently considered for acquisition, the operations related thereto and integration efforts, and there can be no assurance that such information is correct or complete in all material respects.

### **Additional Requirements for Capital**

Substantial additional financing may be required if the Company is to be successful with the Company's acquisition strategy and the overall development of its business. The Company does not currently know whether it will be able to secure additional funding or funding on terms acceptable to the Company. The Company's ability to obtain additional funding will be subject to several factors, including market conditions, investor sentiment and the Company's operating performance. These factors may take the timing, amount, terms and conditions of additional funding unattractive to the Company. If the Company is unable to raise additional funds on terms acceptable to the Company's management when needed, the Company's ability to execute its acquisition strategy could be impaired, which could lead to a material adverse impact on its business. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion or may not be able to further develop its business at all.

If the Company can obtain additional funds by way of an equity financing, the Company's existing shareholders may experience dilution. Any additional debt financing, if available, may involve restrictions on the Company's financing and operating activities.

### **Liquidity and Future Financing Risk**

The Company does not currently have cash reserves for funding future growth and expansion and therefore may require additional financing in order to fund future growth in operations and expansion plans. The Company's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Company's business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to the Company's management. If additional financing is raised by issuing Common Shares, control may change, and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its business plan.

### **Changes in Law, Regulations and Guidelines**

The Company's business will be subject to laws, regulations, and guidelines. Although the Company intends to comply with all laws and regulations, there is no guarantee that the governing laws and regulations will not change which will be outside of the Company's control.

### **Key Personnel Risk**

The Company's success will depend on its directors' and officers' ability to develop the Company's business and manage its operations, and on the Company's ability to attract and retain the Chief Executive Officer and other key technical, sales, public relations and marketing staff or consultants to ramp up its business

## **Management's Discussion and Analysis**

activities. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, design, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

### **Conflicts of Interest Risk**

Certain of the Company's directors and officers are also involved as advisors for other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers' conflict with or diverge from the Company's interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract, or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

### **Intellectual Property Protection**

The Company's intellectual property is protected primarily through trade secrets and copyright protection. The Company takes steps to document and protect its trade secrets and authorship of works protectable by copyright. However, there is no guarantee that such steps protect against the disclosure of confidential information, rights of employees, or that legal actions would provide sufficient remedy for any breach. Additionally, the Company's trade secrets might otherwise become known or be independently developed by competitors. If the Company's intellectual property cannot be protected, the business might be adversely affected.

### **Market Risk for Securities**

The market price for the Company shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company's Shares. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

### **Absence of Cash Dividends**

To date, the Company has not paid any cash dividends on its Common Shares and it does not anticipate the payment of any dividends on its Common Shares in the foreseeable future.

### **Smaller Companies**

Market perception of smaller companies may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds through the issue of further Common Shares or otherwise. The share price of publicly traded smaller companies can be highly volatile. The value of the Company's securities may go down as well as up, and, the share price may be subject to sudden and large falls in value given the restricted marketability of the Common Shares, results of operations, changes in earnings estimates or changes in general market, economic and political conditions.

### **Future Sales by Significant Shareholders**

Following release of shares from the resale restrictions imposed by the terms of the escrow agreement

## Management's Discussion and Analysis

entered into by the former shareholders of the Company prior to its going public transaction with Archer Petroleum Corp., should the former shareholders of the Company determine to act in concert and sell their shares, the market price of the Common Shares may fall. This could result from the pressure on the market caused by such sales, or from concern that the sales signify problems in the Company's operations, or from some combination of the two. Mitigating this risk to some extent, though in no way eliminating it, is the fact that the securities subject to the escrow agreement are subject to certain release provisions.

### **Seasonality risk**

As the Company continues its acquisitions across Canada there are several locations that will face extreme weather conditions that will impact manufacturing and delivery of products. It will also impact the Company's customers and deliveries could be delayed.

### **Macro-Economic risk**

The Company may also be negatively affected by economic downturns or other disruptions to commercial and residential construction markets, which could affect the demand for the Company's products and services, and in turn negatively affect the Company's financial condition and results. Economic slowdowns may also affect capital or credit markets, affecting our ability to raise capital or credit for the purpose of achieving our business objectives.

### **Global Outbreak of COVID-19**

In March 2020, the World Health Organization declared COVID-19 to be a global pandemic. Pandemics, such as the COVID-19 pandemic, have the potential to disrupt the Company's operations, projects and business prospects through the disruption of operations at the Company's plants, disruption of the local, national and international supply chain and transportation services, and the loss of labour from quarantines and/or work restrictions, any of which may require the Company to temporarily reduce or shut down its operations. In addition, large scale epidemics, quarantines and work restrictions could negatively impact the construction market, the demand for the Company's products and services, or the collection of accounts receivable, any of which could have a material adverse affect on the Company's financial condition and results. To date, the Company has experienced minimal impacts 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. These uncertainties arise from the inability to predict the ultimate duration of the outbreak, the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place world-wide to fight the virus as required.

### **SUBSEQUENT EVENTS**

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There were no subsequent events identified for the nine months ended September 30, 2021.

### **OTHER INFORMATION**

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Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).