

AEP

ATLAS ENGINEERED
PRODUCTS

Consolidated Annual Financial Statements

For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)



Independent auditor's report

To the Shareholders of Atlas Engineered Products Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Atlas Engineered Products Ltd. and its subsidiaries (together, the Company) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of (loss) income and comprehensive (loss) income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Impairment assessments of goodwill

Refer to note 2 – Material accounting policies, and note 8 – Goodwill to the consolidated financial statements.

The Company had goodwill of \$19.8 million as at December 31, 2024. Goodwill impairment assessments are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill impairment is assessed by comparing the recoverable amount of a cash generating unit (CGU) to the underlying carrying amount of the CGU's net assets, including goodwill. When the carrying amount of a CGU exceeds its recoverable amount, then the recoverable amount of the CGU is compared to its carrying amount to measure the amount of impairment loss. The recoverable amount of a CGU is the higher of the fair value less costs of disposal and value in use. The recoverable amounts of CGUs to which goodwill was allocated by management were based on the value-in-use method using discounted cash flow models. Significant assumptions used by management in the discounted cash flow models included revenue growth rates, discount rates and gross margins. No impairments were recognized as a result of the 2024 goodwill impairment assessments.

We considered this a key audit matter due to the significant judgment by management in determining the recoverable amounts of the CGUs to which goodwill was allocated, including the use of significant assumptions. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the significant assumptions.

Our approach to addressing the matter included the following procedures, among others:

- Evaluated how management determined the recoverable amounts of the CGUs to which goodwill was allocated, which included the following:
 - Tested the appropriateness of the value-in-use method used by management and the mathematical accuracy of the discounted cash flow models.
 - Tested the reasonableness of revenue growth rates and gross margins applied by management in the discounted cash flow models by considering current and past performance of the CGUs to which goodwill was allocated and the budget and management's strategic plans.
 - Tested the underlying data used in the discounted cash flow models.
 - Considered the reasonableness of discount rates by considering third party data, and changes in market conditions and company specific factors compared to the prior year.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and



are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Neale.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 24, 2025

Atlas Engineered Products Ltd.
Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

	Note	December 31, 2024	December 31, 2023
		\$	\$
Revenue	14	55,828,723	49,413,675
Cost of sales	15	(42,282,238)	(35,854,858)
Gross profit		13,546,485	13,558,817
Operating expenses			
Administrative and office	17	2,676,698	2,237,962
Depreciation and amortization	6, 7	3,018,821	1,707,898
Bad debt expense		66,243	30,582
Professional fees		506,448	817,981
Salaries and benefits	17	3,925,358	2,988,314
Share-based payments	13(c), 17	456,050	511,316
Operating income		2,896,867	5,264,764
Other income		553,493	723,472
Interest expense		(1,828,184)	(1,439,480)
Finance charge on leases	11, 17	(254,274)	(104,153)
Foreign exchange gain (loss)		24,708	(3,063)
(Loss) gain on disposal of assets		(3,814)	13,108
Impairment Loss	16	(1,484,952)	-
(Loss) income before income tax		(96,156)	4,454,648
Income taxes			
Current income tax expense	9	(1,339,386)	(1,850,868)
Deferred income tax recovery	9	1,223,414	546,058
		(115,972)	(1,304,810)
Net (loss) income and comprehensive (loss) income for the year		(212,128)	3,149,838
(Loss) income per share			
Basic		0.00	0.05
Diluted		0.00	0.05
Weighted average number of shares outstanding			
Basic		65,056,625	58,101,219
Diluted		68,061,650	61,019,812

Atlas Engineered Products Ltd.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total
	(Note 13)	(Note 13)	(Note 13)		
		\$	\$	\$	\$
Balance, December 31, 2022	57,847,263	19,426,569	1,393,934	8,052,200	28,872,703
Share-based payments	-	-	511,316	-	511,316
Shares issued on acquisition	1,754,384	2,000,000	-	-	2,000,000
Shares repurchased for cancellation	(738,900)	(270,771)	-	-	(270,771)
Stock options exercised	303,334	297,935	(131,435)	-	166,500
Net income for the year	-	-	-	3,149,838	3,149,838
Balance, December 31, 2023	59,166,081	21,453,733	1,773,815	11,202,038	34,429,586
Share-based payments	-	-	456,050	-	456,050
Shares repurchased for cancellation (Note 13b)	(19,100)	(21,774)	-	-	(21,774)
Shares issued for cash (Note 13b)	10,787,300	14,562,855	-	-	14,562,855
Shares issue costs (Note 13b)	-	(831,953)	-	-	(831,953)
Stock options exercised (Note 13b)	601,666	407,547	(184,322)	-	223,225
Net loss for the period	-	-	-	(212,128)	(212,128)
Balance, December 31, 2024	70,535,947	35,570,408	2,045,543	10,989,910	48,605,861

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

Atlas Engineered Products Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

	December 31, 2024	December 31, 2023
	\$	\$
Operating activities		
Net (loss) income for the year	(212,128)	3,149,838
<i>Add back non-cash items</i>		
Depreciation and amortization	5,146,541	3,522,230
Unrealized foreign exchange gain	(29,695)	-
Deferred tax recovery	(1,504,311)	(546,058)
Loss (gain) on disposal of assets	3,814	(13,108)
Share-based payments	456,050	511,316
Impairment of deposit	1,484,952	-
Changes in non-cash working capital items:		
Accounts receivable	(1,247,286)	1,648,024
Inventories	(1,336,791)	1,423,281
Prepaid expenditures	(115,048)	51,693
Deposits	(1,835,887)	216,985
Accounts payable and accrued liabilities	60,721	(2,122,491)
Customer deposits	120,619	(678,548)
Corporate income taxes receivable	1,488,510	(1,766,780)
Corporate income taxes payable	-	(912,371)
Cash provided by operations	2,480,061	4,484,011
Investing activities		
Acquisition of buildings and equipment	(4,332,120)	(626,302)
Proceeds from disposition of equipment	15,000	24,000
LCF acquisition net of cash acquired (Note 3)	-	(24,303,187)
Cash used in investing activities	(4,317,120)	(24,905,489)
Financing activities		
Repayment of principal lease obligations (Note 11)	(1,073,899)	(1,050,580)
Issuance of capital lease obligation	111,242	-
Repayment of long-term debt (Note 12)	(12,751,978)	(10,888,903)
Proceeds from long-term debt (Note 12)	-	31,094,000
Shares issued for cash (Note 13b)	14,562,855	-
Shares issue costs (Note 13b)	(831,953)	-
Shares repurchased for cancellation (Note 13b)	(21,774)	(270,771)
Proceeds from stock option exercise (Note 13b)	223,225	166,500
Cash provided by financing activities	217,718	19,050,246
Decrease in cash	(1,619,341)	(1,371,232)
Cash - beginning of year	14,747,369	16,118,601
Cash - end of year	13,128,028	14,747,369
Cash paid during the year for:		
Interest	2,082,458	1,543,633
Income taxes	(145,051)	4,530,801

Supplemental cash flow information – Note 18

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

Atlas Engineered Products Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(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, wall panels, and supplier of engineered wood products. Atlas operates manufacturing and distribution facilities in British Columbia, Manitoba, Ontario and New Brunswick to meet the needs of residential and commercial builders.

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

2. Material Accounting Policies

Basis of presentation

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

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

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

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

These consolidated financial statements were approved for issue by the Board of Directors on April 24 2025.

Basis of consolidation

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

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

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

Atlas Engineered Products Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

2. Material Accounting Policies (continued)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquired assets and liabilities assumed are measured at their acquisition date fair values. Acquisition costs are expensed as incurred.

Under the guidance of IFRS 10 Consolidated Financial Statements, control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquirer's returns. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is measured in accordance with IFRS 9 Financial Instruments, as appropriate, with the corresponding gain or loss being recognized in profit and loss.

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards 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.

Atlas Engineered Products Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

2. Material Accounting Policies (continued)

Management estimates

a) Inventory valuation

Management estimates the net realizable values (“NRV”) of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market driven changes that may affect future selling prices.

b) Impairment of long-lived assets

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit (“CGU”) at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount will be made. These estimates and assumptions are used in future cash flow projections and the discount rate applied to those forecasts are subject to risk and uncertainty and therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

c) Business combinations

Management uses judgement in determining the fair value of the acquired net identifiable tangible and intangible assets at the date of a business combination, which requires making assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the acquired intangible assets, particularly the customer relationships and non-compete agreements, require the most judgement. Changes in any of these assumptions or estimates used in determining the fair values of these acquired assets could impact the amounts recorded at the date of the business combination.

Cash

Cash in the statement of financial position comprises cash on deposit with financial institutions, cash on hand, restricted cash, and petty cash.

Inventories

The Company values inventory at the lower of cost and NRV. The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgement regarding reliability of evidence available and are reviewed on a quarterly basis.

The cost of inventories is determined on a first in, first out basis, and includes all costs of purchase, costs of conversion and other costs in bringing the inventories to their present location and condition. The costs of purchase include the purchase price, import duties and non-recoverable taxes, transport, handling, and other costs directly attributable to the acquisition of finished goods, materials, or services. The costs of conversion include direct materials and labour costs and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods.

Write-down of inventory is recognized within cost of sales in the period the write-down occurs. Reversal of any write-down of inventory, arising from an increase in net realizable value, is recorded within cost of sales to the extent that the related inventory has not been sold.

Atlas Engineered Products Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

2. Material Accounting Policies (continued)

Buildings and equipment

Buildings and equipment are stated at historical cost net of accumulated depreciation and impairment losses.

The cost of an item of buildings and equipment includes the purchase price or construction cost and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Where an item of buildings and equipment comprises major components with different useful lives, the components are accounted for as separate items of buildings and equipment.

Costs incurred for major overhaul of existing buildings and equipment are capitalized and are subject to depreciation once they are available for use. Major overhauls include improvement programs that increase the productivity or extend the useful life of an asset beyond that initially envisaged. The costs of routine maintenance and repairs that do not constitute improvement programs are expensed.

The carrying amounts of buildings and equipment are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned. Depreciation starts on the date when commissioning is complete and the asset is ready for its intended use. The major categories of buildings and equipment are depreciated on a declining-balance basis at the following annual rates:

Office furniture and equipment	20%
Vehicles	30%
Production equipment	20%
Computer equipment	30%
Computer software	100%
Signage	20%
Parking lot and improvements	8%
Building	4%
Buildings and vehicles under lease	Over the term of the lease

Atlas Engineered Products Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

2. Material Accounting Policies (continued)

Impairment of non-financial assets

The Company performs impairment tests on non-financial assets when events or circumstances occur which indicate the carrying amount of the assets may not be recoverable. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Goodwill and intangible assets

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration transferred over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill impairment is assessed by comparing the recoverable amount of the CGU to the underlying carrying amount of the CGU's net assets, including goodwill. When the carrying amount of the CGU exceeds its recoverable amount, the recoverable amount of the CGU is compared with its carrying amount to measure the amount of impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The recoverable amounts were based on the value-in-use method using discounted cash flow models. Significant assumptions used by management in the discounted cash flow models included revenue growth rates and gross margins.

Other intangible assets, comprising Brand, Customer relationship and Non-Compete agreement, are stated at cost less accumulated amortization. The Brand and the Customer Relationships are amortized on a straight-line basis over 10 years. Non-Compete agreement is amortized on a straight-line basis over 5 years.

Atlas Engineered Products Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

2. Material Accounting Policies (continued)

Revenue

Revenue is generated mainly from the sale of trusses, wall panels, and engineered wood products.

To determine whether to recognize revenue, the Company follows the following five-step process:

1. Identify the contract with a customer (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations. At this stage a quote turns to an order. Final design gets completed a few days before production where the customer is contacted to finalize these plans;
2. the performance obligation is easily identifiable regarding the goods or services to be transferred. The customer specifically orders trusses, wall panels, or engineered wood products based on a design and quote. They are required to have approved plans through the city which indicate product requirements;
3. the Company can determine the transaction price for the goods or services to be transferred. This is usually obtained from a quote, confirmed purchase order, or final sales order prepared in our truss design and quoting software;
4. the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract); and
5. the revenue is recognized when the performance obligation has been satisfied. All deliveries are Free On Board (FOB) and delivered within the same day. Revenue is recognized on day of delivery.

Revenue is recognized at a point in time when the Company satisfies the performance obligation by transferring the promised goods and services to the customer and the customer has taken control of the asset. There is no deferred revenue to be disclosed during the year.

A customer obtains control of an asset at a point in time when:

- the Company has transferred physical possession of the asset;
- a customer has accepted the asset;
- a customer has legal title to the asset; and
- a customer has the significant risks and rewards related to the ownership of the asset.

Revenue is measured at the amount of the transaction price that is allocated to that performance obligation. The transaction price (which excludes estimates of constrained variable consideration) that is allocated to each performance obligation is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Company recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as customer deposits in the consolidated statement of financial position.

No element of financing is deemed present as the sales are made with credit terms standard for the market. Historically, the Company's annual returns for products sold have been negligible as the product is customized to each customer and returns are not authorized. No value has been assigned for returns given the negligible value. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Where possible, the Company will apply the practical expedient not to disclose the transaction price for unsatisfied performance if the performance obligation is part of a contract that has an original expected duration of one year or less. The Company does not expect to have any contracts where the period between the transfer of the promised goods and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

Atlas Engineered Products Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

2. Material Accounting Policies (continued)

Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

Income tax

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive loss or directly in equity, in which case it is recognized in other comprehensive loss or in equity, respectively. Taxes and withholding taxes are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to taxable income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Atlas Engineered Products Ltd.
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2. Material Accounting Policies (continued)

Earnings per share

Earnings per share is calculated by dividing the net income for the period available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity only when such conversion would have a dilutive effect on income. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted.

The criteria used to determine if there is objective evidence of an impairment loss include significant financial difficulty of the other party, default or delinquency in payments, or it has become probable that the customer will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Shared-based payments

Common shares issued for non-monetary consideration are recorded at the fair value of the goods or services received. The Company has a stock option plan and warrants, whereby stock options and warrants are granted in accordance with the policies of regulatory authorities. The Company records a compensation cost attributable to all share purchase options and warrants granted at fair value at the grant date using the Black-Scholes valuation model and the fair value of all share purchase options and warrants are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options and warrants, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

When the value of goods or services received in exchange for share-based payments cannot be reliably estimated, the value is measured by reference to the trading price of the Company's shares on the TSX Venture Exchange.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Atlas Engineered Products Ltd.
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2. Material Accounting Policies (continued)

Financial instruments

a) Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectation of recovering the contractual cash flows of a financial asset.

b) Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost; or,
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives).

If the Company was to optionally designate a financial liability in other comprehensive income ("OCI") then the Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company's financial assets consist of cash and accounts receivable, which are classified and subsequently measured at amortized cost. The Company's financial liabilities consists of bank indebtedness, accounts payable and accrued liabilities, customer deposits, and long-term debt which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in profit and loss.

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2. Material Accounting Policies (continued)

Financial instruments (continued)

c) Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Accounting Standards Adopted

a) IAS 1 Amendment – Non-current liabilities with covenants

These amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. The new amendments are effective for annual reporting periods beginning on or after 1 January 2024 and override the previous amendments. The implementation of these amendments did not have a significant impact on the Company.

b) IAS 7 and IFRS 7 Amendment – Supplier finance arrangements

These amendments require specific disclosures about supplier finance arrangements. The amendments provide more information how these arrangements affect an entity's liabilities, cash flows and liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The implementation of these amendments did not have a significant impact on the Company.

c) IFRS 16 Amendment – Leases

These amendments add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The implementation of these amendments did not have a significant impact on the Company.

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2. Material Accounting Policies (continued)

Accounting Standards Issued Not Yet Effective

a) IFRS 7 and IFRS 9 Amendments - Classification and Measurement of Financial Instruments

On May 30, 2024, the IASB issued amendments to IFRS 9 and IFRS 7 related to clarifying the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). These amendments are effective for reporting periods beginning on or after January 1, 2026.

b) IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18"), which replaces IAS 1, Presentation of Financial Statements. IFRS 18 introduces new requirements to improve comparability in the reporting of financial performance to give investors a better basis for analyzing and comparing entities. The standard impacts the presentation of the financial statements and notes, in particular the income statement and will require management-defined performance measures to be explained and included in a separate note within the financial statements. IFRS 18 is effective for reporting periods beginning on or after January 1, 2027.

We are currently assessing the impact of these amendments and new standards on our consolidated financial statements.

3. Acquisition of LCF

On August 23, 2023, the Company completed its acquisition of LCF whereby the Company acquired all the issued and outstanding shares of LCF for \$26,000,000 in cash and stock. An initial excess working capital was calculated at \$2,884,737 and paid in cash. An additional working capital adjustment for \$414,382 was calculated and finalized subsequent to closing. A significant portion of the cash required to complete the transaction was provided by a term loan and a mortgage from a major Canadian chartered bank.

The purchase price allocation (PPA) for LCF was finalised in May 2024, the goodwill was adjusted to reflect final determination of Deferred Income Tax Liabilities (DITL) in the amount of \$1,547,730.

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

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3. Acquisition of LCF (continued)

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

Category	\$
Cash	24,000,000
Shares	2,000,000
Working capital	3,299,119
Total consideration	29,299,119
Cash	2,995,932
Accounts receivable	2,532,136
Income taxes receivable	560,466
Inventories	3,639,122
Prepaid expenditures	111,640
Buildings and equipment	7,223,400
Intangible assets	5,337,000
Goodwill	13,017,837
Accounts payable and accrued liabilities	(2,198,203)
Customer deposits	(767,672)
Deferred tax liability	(3,152,539)
	29,299,119

If the acquisition had occurred on January 1, 2023 then the revenues would have been \$18,028,670 for the year ended December 31, 2023. The following table shows the results of the operations of LCF since the acquisition date.

	LCF	LCF
	Jan 1 – Dec 31, 2024	Aug 23 – Dec 31, 2023
	\$	\$
Sales per consolidated financial statements	17,246,862	7,710,937
Income before tax	2,605,947	1,713,216
Income tax recovery (expense)	10,802	(215,530)
Income for the period	2,616,749	1,497,686

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4. Accounts receivable

Trade and other receivables were as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Trade accounts receivable	7,504,814	6,630,633
Other receivables	490,073	83,925
Loss allowance	(8,760)	(5,412)
	7,986,127	6,709,146

Trade and other receivables are non-interest bearing and are carried at amortized cost, and impaired using the simplified approach which records impairment at the lifetime expected credit losses. During the year ended December 31, 2024, the estimated credit loss amounted to \$8,760 (December 31, 2023 - \$5,412).

5. Inventories

	December 31, 2024	December 31, 2023
	\$	\$
Raw materials	7,234,987	5,894,969
Work in progress	216,543	175,033
Finished goods	532,799	581,889
Other	159,983	155,631
	8,144,312	6,807,522

During the year ended December 31, 2024, \$22,419,213 (December 31, 2023, \$19,996,387) in raw materials was expensed through cost of sales. It was determined that there was no requirement to write down any raw materials, work in progress, or finished goods inventory during the year ended December 31, 2024.

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6. Buildings and equipment

	Land and Buildings	Office Furniture and Equipment	Vehicles	Production Equipment	Computer Equipment and Software	Signage and Land Improve ment	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, December 31, 2022	10,472,557	255,156	2,958,002	6,877,254	409,502	229,421	21,201,892
Additions	3,882,748	5,357	47,783	517,829	38,915	-	4,492,632
Additions through business combination	2,792,000	135,000	2,574,900	1,721,500	-	-	7,223,400
Disposals	(2,866,124)	-	(25,000)	(25,000)	-	-	(2,916,124)
Balance, December 31, 2023	14,281,181	395,513	5,555,685	9,091,583	448,417	229,421	30,001,800
Additions	3,669,378	35,694	520,744	77,915	28,389	-	4,332,120
Additions through business combination	-	-	-	-	-	-	-
Disposals	-	-	(57,135)	-	-	-	(57,135)
Balance, December 31, 2024	17,950,559	431,207	6,019,294	9,169,498	476,806	229,421	34,276,785
Accumulated depreciation							
Balance, December 31, 2022	3,354,860	169,106	1,893,670	3,458,768	296,178	144,557	9,317,139
Additions	1,167,494	27,382	605,161	857,088	37,872	7,452	2,702,449
Disposals	(2,866,124)	-	(21,841)	(17,267)	-	-	(2,905,232)
Balance, December 31, 2023	1,656,230	196,488	2,476,990	4,298,589	334,050	152,009	9,114,356
Additions	1,404,641	43,598	1,000,371	963,432	36,605	6,732	3,455,379
Disposals	-	-	(38,322)	-	-	-	(38,322)
Balance, December 31, 2024	3,060,871	240,086	3,439,039	5,262,021	370,655	158,741	12,531,413
Carrying amount at December 31, 2023	12,624,951	199,025	3,078,695	4,792,994	114,367	77,412	20,887,444
Carrying amount at December 31, 2024	14,889,688	191,121	2,580,255	3,907,477	106,151	70,680	21,745,372

Depreciation for tangible assets during the year ended December 31, 2024 was \$3,455,379 (December 31, 2023 - \$2,702,449). During the year ended December 31, 2024, \$2,127,720 (December 31, 2023 - \$1,814,332) of the depreciation was included in cost of sales. During the year ended December 31, 2024, \$656,491 (December 31, 2023 - \$NIL) was included in land and building additions which is considered construction work-in-progress related to a new manufacturing facility under construction.

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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 years ended December 31, 2024 and 2023.

	Building	Total
	\$	\$
Balance, December 31, 2022	1,627,920	1,627,920
Additions	3,866,330	3,866,330
Disposals, net	-	-
Depreciation charge for the year	(995,319)	(995,319)
Balance, December 31, 2023	4,498,931	4,498,931
Additions	113,812	113,812
Disposals, net	-	-
Depreciation charge for the period	(1,192,953)	(1,192,953)
Balance, December 31, 2024	3,419,790	3,419,790

7. Intangible assets

	Customer Relationships	Brand	Non-Compete Agreements	Total
	\$	\$	\$	\$
Cost				
Balance, December 31, 2022	4,896,000	1,206,000	1,248,000	7,350,000
Additions	2,490,000	1,375,000	1,472,000	5,337,000
Impairment	-	-	-	-
Balance, December 31, 2023	7,386,000	2,581,000	2,720,000	12,687,000
Additions	-	-	-	-
Disposals	-	-	(477,000)	(477,000)
Balance, December 31, 2024	7,386,000	2,581,000	2,243,000	12,210,000
Accumulated amortization				
Balance, December 31, 2022	1,774,312	492,016	516,381	2,782,709
Additions	489,603	120,507	241,188	851,298
Impairment	-	-	-	-
Balance, December 31, 2023	2,263,915	612,523	757,569	3,634,007
Additions	827,733	307,305	556,124	1,691,162
Disposals	-	-	(477,000)	(477,000)
Balance, December 31, 2024	3,091,648	919,828	836,693	4,848,169
Carrying amount at December 31, 2023	5,122,085	1,968,477	1,962,431	9,052,993
Carrying amount at December 31, 2024	4,294,352	1,661,172	1,406,307	7,361,831

Amortization for intangible assets during the year ended December 31, 2024 was \$1,691,162 (December 31, 2023 - \$851,298).

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

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8. Goodwill

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

	Clinton	Satellite	Pacer	SC	Hi-Tec	LCF	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, December 31, 2022	474,428	136,446	2,284,327	883,275	2,956,023	-	6,734,499
Additions	-	-	-	-	-	11,470,107	11,470,107
Balance, December 31, 2023	474,428	136,446	2,284,327	883,275	2,956,023	11,470,107	18,204,606
Additions	-	-	-	-	-	1,547,730	1,547,730
Balance, December 31, 2024	474,428	136,446	2,284,327	883,275	2,956,023	13,017,837	19,752,336

Following the finalization of the purchase price allocation (PPA) for LCF, the goodwill was adjusted to reflect final determination of Deferred Income Tax Liabilities (DITL) in the amount of \$1,547,730.

The value-in-use impairment tests performed were based on the Company's internal forecasts and represent management's best estimates at a specific point in time, and as a result are subject to measurement uncertainty. In arriving at its estimated future cash flows, the Company considered past experience, economic trends and industry trends. The key assumptions used in the impairment tests include a projected revenue growth rate of 2% each of the first five years and an applied perpetual long-term growth rate of 2% thereafter, with gross margins ranging from 27% to 38%. A discount rate of between 15.3%-17.3% has been applied to the expected cash flow, after adjusting the cash flow for an estimate of the taxes and capital maintenance expenditures.

The most sensitive inputs to the value-in-use models are the revenue growth rates and gross margins. A reasonable change in the revenue growth rates and gross margins did not result in an impairment for any of the CGUs. There was no material impact of the sensitivity analyses on the recoverable amounts of the Company's other CGUs. No impairments were recognized as a result of the 2024 impairment assessments.

9. Income taxes

The tax expense differs from the theoretical amount that would arise using the tax rate applicable to profits of the Company for the year ended December 31, 2024 and 2023 as follows:

	December 31, 2024	December 31, 2023
	\$	\$
(Loss) Income for the year before income tax	(96,156)	4,454,648
Average statutory rate	27.00%	27.00%
Expected tax expense (recovery)	(25,962)	1,202,755
Difference in tax rates	12,916	(18,405)
Items not deductible for tax purposes	128,756	145,182
Change in estimate	262	(24,722)
Income tax expense	115,972	1,304,810

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9. Income taxes (continued)

The breakdown of the income tax expense during the year is as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Current income tax expense	1,339,386	1,850,868
Deferred tax recovery	(1,223,414)	(546,058)
Total income tax expense	115,972	1,304,810

The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Deferred tax assets		
Lease obligations	917,744	1,164,213
Capital loss carry forwards	87,419	87,419
Non-capital loss carry forwards	553,100	447,959
Building and Equipment	196,061	15,480
Intangibles	12,105	13,783
Share issue costs	224,717	21,787
	1,991,146	1,750,641
Offset against deferred tax liabilities	(824,951)	(1,161,523)
Unrecognized deferred tax assets	(87,419)	(87,419)
Deferred tax assets	1,078,776	501,699
Deferred tax liabilities		
Buildings and equipment	(2,762,408)	(3,567,537)
Intangibles	(2,054,117)	(965,064)
Offset against deferred tax assets	824,951	1,161,523
Deferred tax liabilities	(3,991,574)	(3,371,078)
Net deferred tax liabilities	(2,912,798)	(2,869,379)

The Company has non-capital losses of approximately \$2,048,520 at December 31, 2024, which are available to be carried forward and can be used to offset future taxable income. These non-capital losses expire as follows:

Expiry Date	Amount
	\$
December 31, 2038	40,662
December 31, 2039	287,325
December 31, 2040	304,820
December 31, 2041	536,199
December 31, 2042	335,165
December 31, 2043	162,357
December 31, 2044	381,992
	2,048,520

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10. Accounts payable and accrued liabilities

	December 31, 2024	December 31, 2023
	\$	\$
Trade accounts payable	1,686,808	1,186,226
Sales taxes payable	172,713	348,743
Salaries and vacation payable	740,009	742,278
Other accounts payable	50,953	36,851
Accrued liabilities	321,946	597,610
	2,972,429	2,911,708

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 December 31, 2024 and December 31, 2023 are as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Building under right-of-use asset lease repayable in monthly instalments of \$25,500 inclusive of implied interest of 5.95% per annum, residual value of \$nil, maturing in December 2025 (Note 17).	302,457	582,065
Building under right-of-use asset lease repayable in monthly instalments of \$67,160 inclusive of implied interest of 6.7% per annum, residual value of \$nil, maturing October 2028.	2,975,774	3,579,138
Building under right-of-use asset lease repayable in monthly instalments of \$6,646 inclusive of implied interest of 3.95% per annum, residual value of \$nil, maturing in June 2027.	189,744	260,614
Building under right-of-use asset lease repayable in monthly instalments of \$9,074 inclusive of implied interest of 6.7% per annum, residual value of \$nil, maturing in June 2025.	54,797	155,206
Vehicle under right-of-use asset lease repayable in monthly instalments Of \$2,377 with interest of 7.64% per annum, residual value of \$32,543, maturing in June 2027.	91,594	-
	3,614,366	4,577,023
Total lease obligation	3,614,366	4,577,023
Current portion	(1,126,557)	(1,055,254)
Non-current portion	2,487,809	3,521,769

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11. Lease obligations (continued)

The following is a schedule of the total lease payments made during the years ended December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
	\$	\$
Principal payment	1,073,899	1,050,580
Interest expense	254,274	104,153
Total lease payments	1,328,173	1,154,733

During the year ended December 31, 2024, a vehicle was acquired under a right-of-use asset lease for \$104,681 (December 31, 2023 – the Company renewed two building leases for a total value of \$3,893,175).

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

	December 31, 2024
	\$
2025	1,317,000
2026	974,810
2027	979,633
2028	762,457
Total minimum lease payments	4,033,900
Less: imputed interest	(419,534)
Total present value of minimum lease payments	3,614,366

During the year ended December 31, 2024, the Company did not enter into any low value leases (December 31, 2023 – the Company did not enter into any low value leases).

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12. Long-term debt

The long-term debt consists of the following:

	December 31, 2024	December 31, 2023
	\$	\$
TD term loan ¹	17,233,333	28,033,333
TD mortgage ²	1,931,313	2,258,750
TD mortgage ³	1,772,920	2,066,080
BDC loan ⁴	-	735,966
BDC loan ⁵	-	591,360
Scotiabank assumed loan ⁶	-	4,055
	20,937,566	33,689,544
Less current portion of term debt	(3,081,260)	(3,492,638)
Total long-term portion of term debt	17,856,306	30,196,906

1. A term loan with a major Canadian bank bearing interest at a fixed rate (6.37% as at December 31, 2024) repayable at \$241,667 per month with maturity August 2033. The term of the loan is 120 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
2. A mortgage with a major Canadian bank bearing interest at a fixed rate (6.37% as at December 31, 2024) repayable at \$8,125 per month with maturity February 2047. The loan is amortized over 300 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
3. A mortgage with a major Canadian bank bearing interest at a fixed rate (6.37% as at December 31, 2024) repayable at \$6,980 per month with maturity August 2048. The loan is amortized over 300 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
4. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at December 31, 2024) repayable at approximately \$3,717 per month with maturity being June 2040. The loan was interest only payments until January 9, 2020 and is amortized over 256 months. The loan is secured by a general security interest granted by the Company, with a security on the land and building of SC.
5. A term loan with a major Canadian bank bearing interest at a floating base rate (7.64% as at December 31, 2024) repayable at approximately \$14,080 per month with maturity being June 2027. The loan was interest only payments until January 9, 2020 and is amortized over 100 months. The loan is secured by a general security interest granted by the Company, with a security on the equipment of SC.
6. A financing loan with a major Canadian bank bearing interest at 0.00% as at December 31, 2024, repayable at approximately \$811 per month with maturity being May 2024. The loan was assumed on the acquisition of SC and remaining life is amortized over 72 months. The loan is secured by a specific piece of equipment.

The Company applies judgement in the classification of long-term and short-term debt portions. The Company assumes that the prime interest rate will remain consistent or not change materially over the next twelve months. All loans are either no interest loans or have fluctuating payments that would change as the interest rate changes and the principal portion of those payments would remain constant.

The Company applies judgement in the classification of long-term and short-term debt portions. The Company assumes that the prime interest rate will remain consistent or not change materially over the next twelve months. All loans are either no interest loans or have fluctuating payments that would change as the interest rate changes and the principal portion of those payments would remain constant.

During the fiscal year ending December 31, 2024, the Company made significant debt prepayments across its financial obligations.

- BDC Loans: A prepayment of \$1,273,935 was made towards the outstanding principal amount.
- TD Term Loan: A prepayment of \$7,900,000 was made, with monthly principal payments remaining consistent, and the loan will now be paid off by December 2030.
- TD Mortgage: A prepayment of \$439,337 was made, with monthly principal payments remaining consistent. Mortgages #1 and #2 will be paid off by October 2044 and February 2046, respectively.

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12. Long-term debt (continued)

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

The credit facility with TD Canada Trust contains two financial covenants. A total leverage ratio of less than or equal to 2.75 to 1 which is tested quarterly on a twelve-month rolling basis. The second financial covenant is a fixed charge coverage ratio of greater than or equal to 1.15 to 1 to be tested quarterly on a twelve-month rolling basis. As at December 31, 2024, the Company was in compliance with their covenants.

13. Share capital

a) Authorized

Unlimited common shares without par value.

b) Share capital transactions

On December 1, 2022, the Company renewed the Normal Course Issuer Bid (NCIB) which was effective until December 1, 2023 as the Company did not purchase the maximum permitted number of shares allowed. Pursuant to the NCIB, the Company may have purchased up to 4,732,015 of its outstanding common shares representing approximately 10% of the public float of shares outstanding at market prices as at November 2, 2022. At the beginning of the fiscal year 2024, the Company officially cancelled 19,100 shares pursuant to its NCIB for a total of \$21,774. These shares were repurchased prior to the end of the previous NCIB on December 1, 2023. The Company's share capital was reduced by the average carrying value of shares repurchased for cancellation.

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

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

On March 4, 2024, 100,000 options were exercised at \$0.30 for 100,000 common shares.

On June 26, 2024, the Company closed its previously announced bought deal and concurrent brokered private placement for aggregate gross proceeds of \$14,562,855 through the issuance of 10,787,300 common shares at a price of \$1.35 per share.

On July 25, 2024, 22,500 options were exercised at \$0.60 for 22,500 common shares.

On July 25, 2024, 65,000 options were exercised at \$0.73 for 65,000 common shares.

On August 21, 2024, 195,000 options were exercised at \$0.30 for 195,000 common shares.

On August 28, 2024 7,500 options were exercised at \$0.73 for 7,500 common shares.

On October 4, 2024 1,666 options were exercised at \$0.60 for 1,666 common shares.

On October 22, 2024 10,000 options were exercised at \$0.73 for 10,000 common shares.

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13. Share capital (continue)

b) Share capital transactions (continue)

On November 27, 2024 the Company commenced a Normal Course Issuer Bid (NCIB) which will be in effective until the earlier of November 27, 2025 and the date on which the Company has purchased the maximum permitted number of shares or such earlier times as the Company deems is appropriate. Pursuant to the NCIB, the Company may purchase up to 5,943,813 of its outstanding common shares representing approximately 10% of the public float of shares outstanding at market prices.

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 December 31, 2024 and December 31, 2023 and the changes for the years then ended are as follows:

	Number	Weighted average exercise price \$
Balance as at December 31, 2022	3,007,500	0.55
Granted	400,000	0.74
Exercised	(303,334)	0.55
Forfeited	(287,500)	0.58
Balance as at December 31, 2023	2,816,666	0.57
Granted	1,393,000	1.30
Exercised	(601,666)	0.37
Forfeited	-	-
Balance as at December 31, 2024	3,608,000	0.89

The total share-based payments recorded during the year ended December 31, 2024 was \$456,050 (December 31, 2023 - \$511,316).

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13. Share capital (continued)

c) Options (continued)

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

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years) of options outstanding	Weighted exercise price of options exercisable	Number of options exercisable	Expiry date
\$0.49	100,000	1.01	\$0.49	100,000	January 4, 2026
\$0.29	300,000	1.30	\$0.29	300,000	April 21, 2026
\$0.60	397,500	2.01	\$0.60	397,500	January 4, 2027
\$0.64	200,000	2.30	\$0.64	200,000	April 21, 2027
\$0.60	100,000	2.89	\$0.60	100,000	November 22, 2027
\$0.73	717,500	2.97	\$0.73	717,500	December 20, 2027
\$0.74	400,000	3.01	\$0.74	400,000	January 4, 2028
\$1.30	1,393,000	4.64	\$1.30	-	August 21, 2029
\$0.89	3,608,000	3.28	\$0.62	2,215,000	

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
January 4, 2021	5.00	0.39%	Nil	127%	24.39%	\$0.42
April 21, 2021	5.00	0.94%	Nil	118%	24.26%	\$0.24
January 4, 2022	5.00	1.39%	Nil	94%	22.85%	\$0.43
April 21, 2022	5.00	2.78%	Nil	67%	22.08%	\$0.37
November 22, 2022	5.00	3.23%	Nil	66%	20.58%	\$0.35
December 20, 2022	5.00	3.05%	Nil	66%	20.42%	\$0.42
January 4, 2023	5.00	3.25%	Nil	66%	20.03%	\$0.43
August 21, 2024	5.00	2.90%	Nil	61%	16.19%	\$0.70

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.

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14. Revenue

The Company has three distinct revenue streams: trusses, engineered wood products and walls. The Company's revenues by these revenue streams for the year ended December 31, 2024 and 2023 is as follows:

Year ended December 31, 2024

	Trusses	Engineered wood products	Walls	Total
	\$	\$	\$	\$
Total revenue	36,258,901	13,534,682	6,035,140	55,828,723

Year ended December 31, 2023

	Trusses	Engineered wood products	Walls	Total
	\$	\$	\$	\$
Total revenue	36,016,475	11,066,414	2,330,786	49,413,675

15. Cost of sales

Cost of sales for the years ended December 31, 2024 and 2023 is as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Materials	22,681,935	20,117,728
Labour	13,308,458	10,538,983
Maintenance and overhead	4,164,125	3,383,815
Depreciation and amortization	2,127,720	1,814,332
Total cost of sales	42,282,238	35,854,858

16. Impairment Loss

During the year ended December 31, 2024, the Company recognized an impairment loss of \$1,484,952 on a deposit paid to a vendor who has subsequently gone out of business. The deposit was deemed uncertain as to the recoverability due to the vendor's lack of communication and closing of the business. The Company, along with other customers, have commenced legal proceedings to begin a bankruptcy case to recover amounts owed, but the amount recoverable is unable to be determined as of December 31, 2024.

17. Related Party Transactions

The Company's related parties consist of the Company's directors and officers, and any companies associated with them. Key management personnel includes directors and executive officers of the Company. Other than the amounts disclosed below, there was no other compensation paid or payable to key management personnel for the reported periods.

Atlas is the parent company and owns 100% of the following subsidiaries: Clinton, Satellite, ABS, Pacer, SC, Novum, Hi-Tec and LCF.

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17. Related party transactions (continued)

The Company incurred the following charges as part of the Company's consolidated statement of income and comprehensive income during the years ended December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
	\$	\$
Salaries and benefits	1,463,886	1,284,167
Administrative and office	154,800	127,500
Finance charge on lease obligations ¹	26,392	41,975
Share-based payments	269,809	297,069
Total related party transactions	1,914,887	1,750,711

Due from/to related parties

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

	December 31, 2024	December 31, 2023
	\$	\$
Due from related party		
Accounts receivable and prepaid expenses	-	47
Total due from related party	-	47
Due to related parties		
Accounts payable and accrued liabilities	(25,255)	(10,333)
Lease obligation (Note 11) ¹	(302,457)	(582,065)
Total due to related parties	(327,712)	(592,398)

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

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

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 years ended December 31, 2024 and 2023, the Company had the following non-cash investing and financing activities:

Year ended December 31, 2024

During the year ended December 31, 2024, the Company had to adjust LCF goodwill to reflect final determination of Deferred Income Tax Liabilities (DITL) in the amount of \$1,547,730.

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18. Supplemental cash flow information (continued)

Year ended December 31, 2023

- A Building lease was renewed under a right-of-use asset for \$3,688,421. As a result of the renewal there was an adjustment to the lease obligation of \$26,845;
- A Building lease was renewed under a right-of-use asset for \$204,754.

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, 2023	33,689,544	4,577,023	38,266,567
Repayments	(12,751,978)	(1,073,899)	(13,825,877)
Issuance	-	111,242	111,242
Non-cash – lease obligation	-	-	-
Non-cash – lease adjustment	-	-	-
Balance December 31, 2024	20,937,566	3,614,366	24,551,932

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

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. Accounts payable and accrued liabilities, customer deposits, and long-term debt notes are classified and measured at amortized cost.

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

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20. Financial instruments (continued)

Market risk

a) Foreign exchange risk

The Company is exposed to foreign exchange risk. The Company has US non-inventory expenditures and bank accounts in US currency. The Company has had revenues from sales to the US prior to March 2020 and anticipates having revenues from sales to the US again. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Company. The risk is measured through a forecast of highly probable USD transactions.

The Company minimizes the risk of the volatility of the US currency cost by keeping USD funds received from sales in USD bank accounts. These USD funds are then used for expenditures that arise in the same currency. Only at the end of the year does the Company assess the risk of transferring the excess funds to a CDN bank account. If the risk is too high, then the funds will remain in the USD account until the risk is reduced.

Profit or loss is sensitive to fluctuations in the USD to CAD foreign exchange rates impacting US revenue streams. A 10% change in the USD exchange rate, assuming a full year of USD sales transactions, is estimated by management to result in an annual variance of \$64,200 in sales.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's policy is to minimize interest rate risk exposures on term financing. All leases and exchangeable notes have fixed rates. As at December 31, 2024, the Company is exposed to changes in market interest rates through the bank borrowings at a floating base rate. This risk is low because changes in the prime rate are not substantial and increases would not impact the consolidated financial statements significantly. If the rates were to increase 10% this would result in an increase in interest of approximately \$106,658 over the next year.

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

	December 31, 2024	December 31, 2023
	\$	\$
Classes of financial assets – carrying amounts		
Cash and cash equivalents	13,128,028	14,747,369
Trade accounts receivable, net of loss allowance	7,496,054	6,625,221
	20,624,082	21,372,590

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20. Financial instruments (continued)

Credit risk (continued)

The Company closely monitors cash by applying a sweep account function to the subsidiary accounts and a daily bank reconciliation. The Company also requires each division to detail weekly any collection attempts of receivables over 61 days and prepares an aging account receivable report weekly to monitor any progress.

The Company also continuously monitors defaults of customers, identified individually, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and credit checks are obtained and used. The Company's policy is to deal only with creditworthy customers.

The Company has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The receivables and their aging as at December 31, 2024 and December 31, 2023 is summarized below:

	December 31, 2024	December 31, 2023
	\$	\$
Trade accounts receivable, net of loss allowance		
Current	2,986,674	3,063,553
Past due 1 to 30 days	2,408,667	2,028,247
Past due 31 to 60 days	854,791	704,426
Past due over 60 days	1,245,922	828,995
	7,496,054	6,625,221

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

As at December 31, 2024

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due over 60 days	Total
Expected loss rate	0.00%	0.00%	0.25%	0.53%	0.12%
Trade accounts receivable	2,986,674	2,408,667	856,933	1,252,540	7,504,814
Loss allowance	-	-	2,142	6,618	8,760

As at December 31, 2023

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due over 60 days	Total
Expected loss rate	0.00%	0.00%	0.25%	0.44%	0.08%
Trade accounts receivable	3,063,553	2,028,247	706,191	832,642	6,630,633
Loss allowance	-	-	1,765	3,647	5,412

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

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20. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company may be exposed to liquidity risks if it is unable to collect its trade and other receivables balances in a timely manner, which could in turn impact the Company's long-term ability in meeting commitments under its current facilities.

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

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables exceeds the current cash outflow requirements as our current ratio is currently 3.96:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

As at December 31, 2024, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current	Current	Non-current	Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	\$	\$	\$	\$
Lease obligations	684,291	632,709	2,716,900	-
Accounts payable and accrued liabilities	2,972,429	-	-	-
Income taxes payable	-	-	-	-
Long-term debt	2,185,113	2,139,636	18,515,695	3,830,209
Total	5,841,833	2,772,345	21,232,595	3,830,209

As at December 31, 2024, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current	Current	Non-current	Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	\$	\$	\$	\$
Lease obligations	650,279	655,399	3,929,119	-
Accounts payable and accrued liabilities	2,911,708	-	-	-
Income taxes payable	-	-	-	-
Long-term debt	2,879,689	2,814,171	24,358,266	18,144,733
Total	6,441,676	3,469,570	28,287,385	18,144,733

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

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21. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue operations. In the management of capital, the Company includes its components of long-term debt, lease obligations, cash and equity.

The amounts managed as capital by the Company are summarized as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Long-term debt	20,937,566	33,689,544
Lease obligations	3,614,366	4,577,023
Less: Cash and cash equivalents	(13,128,028)	(14,747,369)
Net debt	11,423,904	23,519,198
Total equity	48,605,861	34,429,586
	60,029,765	57,948,784

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling its expenses. From time to time, the Company purchases its own shares in the open market under a defined NCIB. All repurchased common shares are cancelled.

Management reviews its capital management policies on an ongoing basis.