



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2023

Management's Discussion and Analysis

INTRODUCTION

This Management's Discussion and Analysis (the "MD&A"), dated as August 28th, 2023, is for the three and six months ended June 30, 2023. This MD&A should be read in conjunction with the unaudited consolidated financial statements for the three and six months ended June 30, 2023 and 2022, available under Atlas Engineered Products Ltd.'s ("AEP" or "the Company") profile on SEDAR at 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 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

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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 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 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.

CORPORATE PROFILE

Atlas Engineered Products Ltd. ("AEP" or "the Company") designs, manufactures and sells engineered roof trusses, floor trusses, and wall panels. The Company also distributes a range of various engineered wood products 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 seven operations in British Columbia, Manitoba and Ontario. Its seven plants consist of: Atlas Building Systems ("Atlas"), Pacer Building Components ("Pacer"), Clinton Building Components ("Clinton"), Satellite Building Components ("Satellite"), South Central Building Systems ("SC"), Novum Building Components ("Novum") and Hi-Tec Industries ("Hi-Tec"). Subsequent to the three and six months ended June 30, 2023, the Company acquired Léon Chouinard et Fils Co. Ltd./Ltée ("LCF") as its eighth operation located in New Brunswick, Canada.

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.

OUTLOOK

The Company's objective for 2023 is to continue focusing on improved operations, equipment utilization, and technological advancements to benefit and enhance the Company's performance. The Company is entering into a more competitive market for 2023 as interest rates have risen in order to slow inflation which affects the housing market. The Company currently anticipates that increased interest rates will have a temporary effect on the housing market given the number of homes still needed to be built to support Canada's continued growth and immigration.

On a pro-forma basis, taking seasonality into account, management believes focused marketing activities, the continued expansion of new product lines, leveling of raw material costs, and continued focus on improving costs, should enable these targets to be achievable, but may depend on the effects of labour shortages and any actual downward effects on the housing market resulting from changes to interest rates by the Bank of Canada despite the continued need for more homes in Canada.

The Company continues to assess M&A opportunities that fit with the Company's goals and strategies. This

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has been bolstered by the Company's internal cash generation from prior years and its financing and credit arrangements giving the Company access to more funding for acquisitive growth. The Company completed one acquisition in 2022 (Hi-Tec) and anticipates seeking further through M&A transactions in 2023. Subsequent to the three and six months ended, the Company completed another acquisition of LCF in New Brunswick, Canada.

FINANCIAL HIGHLIGHTS

The Company's results for the three and six months ended June 30, 2023 include full period results from all locations. For the comparative three and six months ended June 30, 2022, all locations other than Hi-Tec are included for the full comparative period, which was acquired on February 28, 2022, are included for the full comparative period.

Summary of Financial Results

Revenue:

- Revenue for the three months ended June 30, 2023 was \$11,217,336 compared to revenue of \$16,836,329 for the three months ended June 30, 2022. Revenue has decreased due to some material prices stabilizing at a normal level which was less than the prior two years. The market has also seen a slowdown in some areas across Canada due to the rising interest rates. The Company does not anticipate this will affect sales long-term, but only until the market stabilizes and adjusts to current market conditions.

Gross Margin:

- Gross margin for the three months ended June 30, 2023 was 30%, which was up from a gross margin of 28% for the three months ended June 30, 2022. Gross margins increased due to continued pricing assessments and focus on improving efficiencies across all product lines. Additionally, due to the continued labour shortage, the Company has focused on higher margin work where necessary to fill the shops at some location based on the available labour.

Net Income:

- Net income was \$786,236 for the three months ended June 30, 2023 compared to net income of \$2,044,118 for the three months ended June 30, 2022. The Company recorded a lower net income after taxes in the current period mainly due to decreased revenues and increase in operating expenses. Operating expenses increased due to requirements for continued acquisition expansion as noted in our subsequent events.

Adjusted EBITDA & Normalized EBITDA Margin¹:

- Non-IFRS measures adjusted EBITDA and normalized EBITDA decreased to \$2,051,169 and \$3,791,143 respectively for the three and six months ended June 30, 2023 from \$3,665,814 and \$6,623,260 respectively for the three and six months ended June 30, 2022 as shown above. These decreases were mainly due to decreased sales and increased operating costs. Operating costs increased to required costs and support for acquisition activity as noted in the Company's subsequent events. Some acquisition costs have been added back to normalized EBITDA, but additional support costs for the Company's growth has not been added back as these will be

¹ See "Non-IFRS – Non-GAAP Financial Measures".

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ongoing costs moving forward.

SELECTED FINANCIAL RESULTS	Three Months Ended		Six Months Ended	
	June 2023	June 2022	June 2023	June 2022
Revenue from the Business	\$11,217,336	\$16,836,329	\$20,846,704	\$29,270,743
Cost of Sales	7,819,049	12,092,488	14,592,636	20,640,545
Gross Profit	3,398,287	4,743,841	6,254,068	8,630,198
Gross Margin %	30%	28%	30%	29%
Operating Expenses	2,281,058	1,841,872	4,306,728	3,476,056
Operating Profit	1,117,229	2,901,969	1,947,340	5,154,142
Net Income After Adjustments and Taxes	786,236	2,044,118	1,329,536	3,607,419
Adjusted EBITDA	2,051,169	3,665,814	3,791,143	6,623,260
Adjusted EBITDA Margin %	18%	22%	18%	23%
Normalized EBITDA	2,243,568	3,665,814	3,983,542	6,623,260
Normalized EBITDA Margin %	20%	22%	19%	23%
Weighted Average Number of Shares, Basic	57,447,751	59,245,049	57,589,181	58,914,880
Adjusted EBITDA per Share (\$ per share)	0.04	0.06	0.07	0.11
Income per Share, Basic (\$ per share)	0.01	0.03	0.02	0.06
Income per Share, Fully Diluted (\$ per share)	0.01	0.03	0.02	0.06
Selected Financial Information as at:				
			June 2023	Dec 2022
Total Assets			\$53,939,626	\$50,491,344
Total Non-Current Liabilities			16,845,334	14,757,079

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 for more details.

SUMMARY OF QUARTERLY RESULTS	June 2023	Mar 2023	Dec 2022	Sept 2022	June 2022	Mar 2022	Dec 2021	Sept 2021
Revenues	\$11,217,336	\$9,629,368	\$14,990,588	\$17,638,289	\$16,836,329	\$12,434,414	\$13,896,440	\$17,563,359
Net income	\$786,236	\$543,300	\$2,091,306	\$3,131,612	\$2,044,118	\$1,563,301	\$2,459,868	\$2,793,913
Net income per share basic	0.01	0.01	0.04	0.05	0.03	0.03	0.04	0.05
Net income per share fully diluted	0.01	0.01	0.03	0.05	0.03	0.02	0.03	0.04

RESULTS OF OPERATIONS

Three Months Ended June 30, 2023

Revenue for the three months ended June 30, 2023 was \$11,217,336 compared to revenue of \$16,836,329 for the three months ended June 30, 2022. Revenue has decreased due some material prices stabilizing at a normal level which was less than the prior two years. The Company passes through the cost of raw material in its product pricing which means as lumber prices decrease so will the pricing given to customers for their project. This will lead to the decreased revenue. The Company will adjust pricing in order to continue to be competitive in the market. The market has also seen a slowdown in some areas across Canada due to the rising interest rates. The Company does not anticipate this will affect sales long-term, but only until the market stabilizes and adjusts to current market conditions. Additionally, other input costs such as labour, steel, and other delivery costs have not reduced and will continue to be passed through in our overall product pricing. As the Company passes through the cost of raw materials and labour costs in its product pricing, overall

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revenues may fluctuate.

Cost of sales for the three months ended June 30, 2023 was \$7,819,049 compared to \$12,092,488 for the three months ended June 30, 2022. Cost of sales has decreased primarily due to the decrease in sales compared to the prior period.

Gross profit for the three months ended June 30, 2023 was \$3,398,287 compared to \$4,743,841 for the three months ended June 30, 2022. Gross margin for the three months ended June 30, 2023 was 30%, which is higher than gross margin of 28% for the three months ended June 30, 2022. Gross profits decreased mainly due to decreased sales. Gross margins increased due to continued pricing assessments and focus on improving efficiencies across all product lines. Additionally, due to the continued labour shortage, the Company has focused on higher margin work where necessary to fill the shops at some location based on the available labour.

The Company recorded a net income after taxes of \$786,236 (\$0.01 per share basic, \$0.01 per share fully diluted) for the three months ended June 30, 2023 compared to a net income after taxes of \$2,044,118 (\$0.03 per share basic, \$0.03 per share fully diluted) for the three months ended June 30, 2022. The Company recorded a lower net income after taxes in the current period mainly due to decreased revenues and increase in operating expenses. Operating expenses increased due to requirements for continued acquisition expansion as noted in our subsequent events.

Administrative and office for the three months ended June 30, 2023 \$717,415 (three months ended June 30, 2022 – \$486,765). Administrative and office expenses has increased due to general inflation, the higher cost of insurance compared to prior periods and the addition of costs related to the subsequent event of the acquisition of LCF.

Depreciation and amortization for the three months ended June 30, 2023 \$355,091 (three months ended June 30, 2022 – \$300,822). Overall depreciation and amortization has increased due to amortization related to the intangible assets when the Company acquired Hi-Tec. The purchase price allocation ("PPA") was not completed in the three months ended June 30, 2022 and therefore the related amortization was not recorded until later in fiscal 2022 with the PPA was completed. During the three months ended June 30, 2023, \$404,381 in additional depreciation was included in cost of sales (three months ended June 30, 2022 – \$382,911). This increase is due to manufacturing equipment purchased in the three months ended June 30, 2023 and with the Hi-Tec Acquisition during the prior period that is now not subject to the half-year rule for depreciation.

Professional fees for the three months ended June 30, 2023 \$116,205 (three months ended June 30, 2022 – \$93,518). Professional fees increased due to general inflation and costs related to the subsequent event of the acquisition of LCF.

Salaries and benefits for the three months ended June 30, 2023 \$917,800 (three months ended June 30, 2022– \$880,087). Salaries and benefits increased slightly due to additional staff hired to support moving forward with acquisition activity.

Share-based payments for the three months ended June 30, 2023 \$174,468 (three months ended June 30, 2022– \$80,112). The share-based payments has increased compared to the prior period due to options issued late in fiscal 2022 and in January of 2023. Options are expensed over eighteen months using the Black-Scholes method. This means there is an increased expense earlier in the eighteen month vesting period than closer to the end of the vesting period.

Six Months Ended June 30, 2023

Revenue for the six months ended June 30, 2023 was \$20,846,704 compared to revenue of \$29,270,743 for the six months ended June 30, 2022. Revenue has decreased due some material prices stabilizing at a normal level which was less than the prior two years. The Company passes through the cost of raw material in its product pricing which means as lumber prices decrease so will the pricing given to customers for their

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project. This will lead to the decreased revenue. The Company will adjust pricing in order to continue to be competitive in the market. The market has also seen a slowdown in some areas across Canada due to the rising interest rates. The Company does not anticipate this will affect sales long-term, but only until the market stabilizes and adjusts to current market conditions. Additionally, other input costs such as labour, steel, and other delivery costs have not reduced and will continue to be passed through in our overall product pricing. As the Company passes through the cost of raw materials and labour costs in its product pricing, overall revenues may fluctuate.

Cost of sales for the six months ended June 30, 2023 was \$14,592,636 compared to \$20,640,545 for the six months ended June 30, 2022. Cost of sales has decreased primarily due to the decrease in sales compared to the prior period.

Gross profit for the six months ended June 30, 2023 was \$6,254,068 compared to \$8,630,198 for the six months ended June 30, 2022. Gross margin for the six months ended June 30, 2023 was 30%, which is higher than gross margin of 29% for the six months ended June 30, 2022. Gross margin for the three months ended June 30, 2023 was 30%, which is higher than gross margin of 28% for the three months ended June 30, 2022. Gross profits decreased mainly due to decreased sales. Gross margins increased due to continued pricing assessments and focus on improving efficiencies across all product lines. Additionally, due to the continued labour shortage, the Company has focused on higher margin work where necessary to fill the shops at some location based on the available labour.

The Company recorded a net income after taxes of \$1,329,536 (\$0.02 per share basic, \$0.02 per share fully diluted) for the six months ended June 30, 2023 compared to a net income after taxes of \$3,607,419 (\$0.06 per share basic, \$0.06 per share fully diluted) for the six months ended June 30, 2022. The Company recorded a lower net income after taxes in the current period mainly due to decreased revenues and increase in operating expenses. Operating expenses increased due to requirements for continued acquisition expansion as noted in the Company's subsequent events.

Administrative and office for the six months ended June 30, 2023 \$1,182,071 (six months ended June 30, 2022 – \$887,542). Administrative and office expenses has increased due to general inflation, the higher cost of insurance compared to prior periods and the addition of costs related to the subsequent event of the acquisition of LCF.

Depreciation and amortization for the six months ended June 30, 2023 \$706,502 (six months ended June 30, 2022 – \$581,653). Overall depreciation and amortization has increased due to amortization related to the intangible assets when the Company acquired Hi-Tec. The purchase price allocation ("PPA") was not completed in the three months ended June 30, 2022 and therefore the related amortization was not recorded until later in fiscal 2022 with the PPA was completed. During the six months ended June 30, 2023, \$796,716 in additional depreciation was included in cost of sales (six months ended June 30, 2022 – \$745,661). This increase is due to manufacturing equipment purchased in the three months ended June 30, 2023 and with the Hi-Tec Acquisition during the prior period that is now not subject to the half-year rule for depreciation.

Professional fees for the six months ended June 30, 2023 \$208,174 (six months ended June 30, 2022 – \$222,428). Professional fees decreased due to completion of the Hi-Tec acquisition in the comparative period which incurred legal, accounting, and appraisal costs. The Company did have costs related to the subsequent event acquisition of LCF, but the most of the legal costs associated with this transaction were also subsequent to the six months ended June 30, 2023.

Salaries and benefits for the six months ended June 30, 2023 \$1,870,004 (six months ended June 30, 2022– \$1,642,168). Salaries and benefits increased due to additional staff hired to support moving forward with acquisition activity.

Share-based payments for the six months ended June 30, 2023 \$340,585 (six months ended June 30, 2022– \$141,804). The share-based payments has increased compared to the prior period due to options issued late in fiscal 2022 and in January of 2023. Options are expensed over eighteen months using the Black-Scholes method. This means there is an increased expense earlier in the eighteen month vesting period

than closer to the end of the vesting period.

One-time Costs

The Company incurred one-time costs during the three and six months ended June 30, 2023 due to the subsequent event of the acquisition of LCF which resulted in costs not associated with the day-to-day business of the Company. One-time and non-recurring costs are not expected to be ongoing each year and/or period and are added back into normalized EBITDA calculations.

Non-IFRS Financial Measures – EBITDA, Adjusted EBITDA, and Normalized EBITDA²

EBITDA for the three and six months ended June 30, 2023 was \$1,893,609 and \$3,466,172, respectively, with an EBITDA margin of 17% and 17%, respectively. EBITDA for the three and six months ended June 30, 2022 was \$3,581,190 and \$6,463,031, respectively, with an EBITDA margin of 21% and 22%, respectively. EBITDA for the three and six months ended June 30, 2023 decreased compared to the three and six months ended June 30, 2022 mainly due to decreased net income for the period resulting from decreased sales and increased operating costs. EBITDA margin has decreased mainly due to increased operating costs related to decreased sales. Operating costs increased to required costs and support for acquisition activity as noted in the Company's subsequent events.

Adjusted EBITDA for the three and six months ended June 30, 2023 was \$2,051,169 and \$3,791,143, respectively, with an adjusted EBITDA margin of 18% and 18%, respectively. This is a decrease from an adjusted EBITDA of \$3,665,814 and \$6,623,260, respectively, and an adjusted EBITDA margin of 22% and 23%, respectively, for the three and six months ended June 30, 2022. Normalized EBITDA for the three and six months ended June 30, 2023 also decreased to \$2,243,568 and \$3,983,542, respectively, from \$3,665,814 and \$6,623,260, respectively, for the three and six months ended June 30, 2022. Normalized EBITDA margin for the three and six months ended June 30, 2023 decreased to 20% and 19%, respectively, from 22% and 23%, respectively, for the three and six months ended June 30, 2022. These decreases were mainly due to decreased sales and increased operating costs. Operating costs increased to required costs and support for acquisition activity as noted in the Company's subsequent events. Some acquisition costs have been added back to normalized EBITDA, but additional support costs for the Company's growth has not been added back as these will be ongoing costs moving forward.

² See "Non-IFRS / Non-GAAP Financial Measures"

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EBITDA, Adjusted EBITDA, and Normalized EBITDA Calculation	Three Months Ended		Six Months Ended	
	June 2023	June 2022	June 2023	June 2022
Net income for the period as reported	\$786,236	\$2,044,118	\$1,329,536	\$3,607,419
Interest earned	(198,064)	(29,365)	(398,434)	(52,442)
Interest expense	221,719	132,418	408,457	208,699
Income tax expense	303,703	712,157	578,671	1,297,812
Finance charge on leases	20,543	38,129	44,724	74,229
Depreciation	759,472	683,733	1,503,218	1,327,314
EBITDA	1,893,609	3,581,190	3,466,172	6,463,031
Loss (gain) on disposal of equipment	(16,267)	-	(16,267)	10,154
Foreign exchange loss (gain)	(641)	4,512	653	8,271
Share-based payments	174,468	80,112	340,585	141,804
Adjusted EBITDA	2,051,169	3,665,814	3,791,143	6,623,260
Revenue	11,217,336	16,836,329	20,846,704	29,270,743
EBITDA Margin %	17%	21%	17%	22%
Adjusted EBITDA Margin %	18%	22%	18%	23%
One time costs	192,399	-	192,399	-
Normalized EBITDA	2,243,568	3,665,814	3,983,542	6,623,260
Normalized EBITDA Margin %	20%	22%	19%	23%

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.

The Company incurred the following charges as part of the Company's consolidated statement of income and comprehensive income during the three and six months ended June 30, 2023 and 2022.

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
Salaries and benefits	631,515	570,731	895,839	790,485
Administrative and office	37,000	35,000	65,500	63,500
Finance charge on lease obligations ¹	11,067	14,655	22,832	29,836
Share-based compensation	103,494	67,238	202,368	118,041
Total related party transactions	783,076	687,624	1,186,539	1,001,862

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Due from/to related parties

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

	June 30, 2023	December 31, 2022
	\$	\$
Due from related party		
Accounts receivable and prepaid expenses	6,613	12,076
Total due from related party	6,613	12,076
Due to related parties		
Accounts payable and accrued liabilities	(22,751)	(23,372)
Lease obligation (Note 11) ¹	(715,922)	(846,090)
Total due to related parties	(738,673)	(869,462)

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 \$53,939,626 as at June 30, 2023 compared to \$50,491,344 as at December 31, 2022. This is mainly due to the renewal of two property leases during the period which are required to be capitalized as a building asset. Additionally, the Company has a large deposit related to the subsequent event acquisition of LCF. The Company's total liabilities have increased to \$23,514,546 as at June 30, 2023 from \$21,618,641 as at December 31, 2022 mainly due to the renewal of two property leases during the period which are required to be capitalized and recorded as a capital lease obligation.

As at June 30, 2023, the Company held cash of \$14,552,256 and had working capital of \$20,763,789 (December 31, 2022 – cash of \$16,118,601 and working capital of \$20,036,466). Working capital has increased due to profits impacting cash. Cash itself decreased as the Company has had to make additional tax instalments for fiscal 2023 which after estimated taxes is in an income tax receivable position and a deposit for the subsequent event acquisition of LCF.

During the three months ended June 30, 2023, net cash used in operating activities was \$350,299 and provided by for the six months ended June 30, 2023 was \$474,114 (three and six months ended June 30, 2021 – used in \$543,378 and provided by \$2,997,671). The cash used in operations for the three months ended June 30, 2023 decreased compared to the three months ended June 30, 2022 mainly due to the decrease in net income for the three months ended June 30, 2023 and additional cash paid for income taxes payable for the three months ended June 30, 2022. Cash provided by operations for the six months ended June 30, 2023 decreased compared to the six months ended June 30, 2022 mainly due to the decrease in net income for the period and the increased income tax instalments required to be made based on prior year's results.

Net cash used in investing activities for the three and six months ended June 30, 2023 was \$482,818 and \$498,084 (three and six months ended June 30, 2022 – \$540,915 and \$9,391,052). The cash used in investing activities decreased for the three and six months ended June 30, 2023 compared to the three and

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six months ended June 30, 2022 mainly due to the completion of the Hi-Tec acquisition in the prior periods, whereas there was no acquisition during the current periods.

Cash used in financing activities for the three and six months ended June 30, 2023 was \$833,251 and \$1,542,375 (three and six months ended June 30, 2022, used in – \$974,157 and provided by \$7,765,006). Cash used in financing activities decreased for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 due to fewer shares repurchased for cancellation under the NCIB. The change in cash used in for the six months ended June 30, 2023 from the cash provided by financing activities for the six months ended June 30, 2022 was mainly due to the financing obtained to purchase Hi-Tec and the warrants exercised during the six months ended June 30, 2022 compared to no funding required or warrants available for exercise during the six months ended June 30, 2023.

CAPITAL EXPENDITURES

During the three and six months ended June 30, 2023, the Company used cash to acquire buildings and equipment of \$506,818 and \$522,084 (three and six months ended June 30, 2022 - \$85,934 and \$3,470,629). Overall buildings and equipment decreased compared to the three and six months ended June 30, 2022 due acquiring the land and building at Hi-Tec plus the Hi-Tec Acquisition which included manufacturing equipment, vehicles, and various other equipment in the prior period.

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 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

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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 August 28th, 2023, the Company's outstanding share information was as follows:

Security	Number	Exercise Price	Expiry Date
Issued and outstanding common shares	57,362,597	NA	NA
Stock options	495,000	0.30	03-Mar-24
Stock options	100,000	0.49	04-Jan-26
Stock options	350,000	0.29	21-Apr-26
Stock options	421,666	0.60	04-Jan-27
Stock options	200,000	0.64	21-Apr-27
Stock options	100,000	0.60	22-Nov-27
Stock options	800,000	0.73	20-Dec-27
Stock options	400,000	0.74	04-Jan-28
Total Options	2,866,666		

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 six months ended June 30, 2022 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 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.

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

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 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

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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 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

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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 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.

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.

National Pandemic risk

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

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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

Acquisition of Léon Chouinard et Fils Co. Ltd./Ltée.

On August 23, 2023, the Company completed its acquisition of Léon Chouinard et Fils Co. Ltd./Ltée. ("LCF") whereby the Company acquired all the issued and outstanding shares of LCF for \$26,000,000 in cash and stock plus \$2,884,737 in cash for net closing adjustments for LCF's cash, income taxes receivable and payable and working capital excluding inventory as at June 30, 2023. A working capital adjustment including inventory will also be calculated and finalized subsequent to closing for up to the date of closing. 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.

In accordance with IFRS 3, the LCF acquisition will be accounted for as a business combination. Due to the recent nature of the transaction, the PPA calculations are still preliminary and have not been finalized.

OTHER INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.