AEP

ATLAS ENGINEERED PRODUCTS

Unaudited Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Atlas Engineered Products Ltd.

Condensed Interim Consolidated Statements of Financial Position
For the periods ended June 30, 2020 and December 31, 2019
(Unaudited - expressed in Canadian dollars)

	Note	June 30, 2020	December 31, 2019
		$	$
Assets			
Current			
Cash		3,033,576	1,553,005
Restricted cash		-	204,400
Accounts receivable	**4, 17, 20**	4,107,788	3,387,982
Inventories	**5**	1,841,519	1,858,930
Prepaid expenditures		131,965	74,948
Deposits		69,404	152,328
Income taxes receivable		256,418	-
		9,440,670	7,231,593
Non-current			
Buildings and equipment	**6**	8,709,673	9,623,015
Intangible assets	**7**	4,833,840	5,150,892
Goodwill	**8**	3,778,476	3,778,476
Deferred tax asset		975,653	979,001
Total Assets		27,738,312	26,762,977
Liabilities			
Current			
Bank indebtedness	**9**	-	1,470,000
Accounts payable and accrued liabilities	**10, 17**	3,023,887	3,157,818
Customer deposits		273,970	94,549
Income taxes payable		-	240,326
Lease obligations – current portion	**12**	1,072,029	1,174,485
Long-term debt – current portion	**13**	1,623,750	6,182,748
		5,993,636	12,319,926
Non-current			
Intangible liability	**11**	117,527	134,729
Lease obligations	**12**	1,761,380	2,213,991
Long-term debt	**13**	6,198,735	2,092,851
Deferred tax liability		1,526,329	1,779,859
		15,597,607	18,541,356
Shareholders' Equity			
Share capital	**14**	19,230,222	14,836,346
Contributed surplus	**14**	1,414,315	1,346,747
Deficiency		(8,503,832)	(7,961,472)
		12,140,705	8,221,621
Total Liabilities and Shareholders' Equity		27,738,312	26,762,977

Subsequent events – Note 22

APPROVED BY THE DIRECTORS ON AUGUST 4, 2020

__DON HUBBARD__ Director *__KEVIN SMITH__* Director

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

Atlas Engineered Products Ltd.
Condensed Interim Consolidated Statements of Income and Comprehensive Loss
For the three and six months ended June 30, 2020 and 2019
(Unaudited - expressed in Canadian dollars)

	Note	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
		$	$	$	$
Revenue	**15**	7,900,805	9,067,334	14,998,784	15,284,242
Cost of sales	**16**	(6,031,627)	(6,561,592)	(12,016,932)	(11,618,083)
Gross profit		1,869,178	2,505,742	2,981,852	3,666,159
Operating expenses					
Administrative and office		460,719	556,417	1,140,185	1,000,132
Depreciation	**6, 7, 11**	348,171	354,065	693,198	673,379
Bad debt expense (recovery)		1,026	46	3,233	(8,307)
Management fees	**17**	63,000	72,000	135,000	145,200
Professional fees		93,866	81,412	219,548	281,129
Salaries and benefits	**17**	630,431	548,076	1,340,529	1,073,853
Share-based payments	**14(c), 17**	23,290	111,713	67,568	197,681
Operating profit (loss)		248,675	782,013	(617,409)	303,092
Interest earned		7,856	2,499	13,364	106,920
Canadian emergency wage subsidy		175,050	-	175,050	-
Interest expense and other		(110,722)	(158,088)	(228,943)	(267,845)
Finance charge on leases	**12, 17**	(49,956)	(65,493)	(100,356)	(135,415)
Foreign exchange gain (loss)		2,263	(38,274)	22,390	(49,536)
Gain on disposal of equipment		-	-	2,592	-
Income before income tax		273,166	522,657	(733,312)	(42,784)
Income taxes					
Current income tax recovery		(24,852)	(148,955)	(655)	(204,210)
Deferred income tax (recovery) expense		(27,713)	(210,826)	191,607	(29,767)
		(52,565)	(359,781)	190,952	(233,977)
Net Income and comprehensive loss for the period		220,601	162,876	(542,360)	(276,761)
Income (Loss) per share					
Basic and diluted		0.00	0.00	(0.01)	(0.01)
Weighted average number of shares outstanding					
Basic and diluted		57,725,730	45,990,930	55,318,301	45,659,438

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

Atlas Engineered Products Ltd.

Condensed Interim Consolidated Statements of Cash Flows
For the three and six months ended June 30, 2020 and 2019
(Unaudited - expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Cash provided by (used in):			$	$
Operating activities				
Net income (loss) for the period	220,601	162,876	(542,360)	(276,761)
Depreciation	670,601	645,384	1,331,433	1,237,300
Unrealized foreign exchange gain (loss)	6,332	(11,269)	-	622
Deferred tax recovery (expense)	27,714	210,825	(191,606)	29,766
Gain on disposal of equipment	-	-	(2,592)	-
Share-based payments	23,290	111,713	67,568	197,681
Changes in non-cash working capital items				-
Accounts receivable	(688,487)	(1,696,017)	(719,806)	(214,932)
Inventories	69,278	379,447	17,411	186,661
Prepaid expenditures	(1,200)	(125,127)	(57,017)	(162,749)
Deposits	(6,590)	-	82,924	-
Accounts payable and accrued liabilities	38,279	494,694	(133,931)	(234,281)
Customer deposits	106,500	32,997	179,421	46,820
Corporate income taxes receivable/payable	(60,238)	260,589	(496,744)	214,387
Cash provided by (used in) operations	406,080	466,112	(465,299)	1,024,514
Investing activities				
Acquisition of equipment	(57,762)	(78,289)	(141,300)	(508,458)
Proceeds from disposition of equipment	-	-	25,652	-
SC acquisition net of cash acquired (Note 3)	-	(261,671)	-	(3,176,780)
Cash used in investing activities	(57,762)	(339,960)	(115,648)	(3,685,238)
Financing activities				
Repayment of principal lease obligations	(279,429)	(267,849)	(555,067)	(540,621)
Issuance of principal lease obligations	-	-	-	408,576
Repayment of long-term debt	(279,997)	(343,566)	(453,114)	(690,366)
Proceeds from long-term debt	-	-	-	2,075,300
Repayment of bank indebtedness	-	-	(1,470,000)	-
Proceeds from loan receivable	-	26,585	-	26,585
Shares issued for cash	-	-	4,597,253	-
Cash share issue costs	-	-	(261,954)	-
Cash (used in) provided by financing activities	(559,426)	(584,830)	1,857,118	1,279,474
(Decrease) Increase in cash	(211,108)	(458,678)	1,276,171	(1,381,250)
Cash - beginning of period	3,244,684	671,190	1,757,405	1,593,762
Cash - end of period	3,033,576	212,512	3,033,576	212,512
Cash paid during the period for:				
Interest	160,678	223,581	329,299	403,260
Income taxes	3,000	-	405,203	-

Supplemental cash flow information – Note 18

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

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

	Number of Common Shares	Share Capital	Exchangeable Notes – Equity Component	Contributed Surplus	Deficiency	Total
	(Note 14)	(Note 14)		(Note 14)		
		$	$	$	$	$
Balance, December 31, 2018	44,990,930	14,341,346	-	1,005,428	(7,206,325)	8,140,449
Shares issued on acquisitions (Note 3)	1,000,000	400,000	-	-	-	400,000
Share-based payments	-	-	-	197,682	-	197,682
Net loss for the period	-	-	-	-	(276,761)	(276,761)
Balance, June 30, 2019	**45,990,930**	**14,741,346**	**-**	**1,203,110**	**(7,483,086)**	**8,461,370**
Shares issued on acquisitions (Note 3)	225,000	90,000	-	-	-	90,000
Stock options exercised	16,666	5,000	-	-	-	5,000
Share-based payments	-	-	-	143,637	-	143,637
Net loss for the period	-	-	-	-	(478,386)	(478,386)
Balance, December 31, 2019	**46,232,596**	**14,836,346**	**-**	**1,346,747**	**(7,961,472)**	**8,221,621**
Shares issued pursuant to private placement (Note 14b)	11,493,134	4,597,253	-	-	-	4,597,253
Less: cash share issue costs (Note 14b)	-	(203,377)	-	-	-	(203,377)
Share-based payments	-	-	-	67,568	-	67,568
Net loss for the period	-	-	-	-	(542,360)	(542,360)
Balance, June 30, 2020	**57,725,730**	**19,230,222**	**-**	**1,414,315**	**(8,503,832)**	**12,140,705**

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

1. Nature of Operations

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

The Company's registered office is located at 102 – 6551 Aulds Road, Nanaimo, British Columbia V9T 6K2.

2. Significant Accounting Policies

Basis of presentation

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the three and six months ended June 30, 2020.

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.

The outbreak of the novel strain of coronavirus, specifically identified as "Covid-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, closure of non-essential businesses, self-imposed quarantine periods, and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the Covid-19 outbreak is unknown at this time.

The Company continues to monitor and assess the impact of the Covid-19 pandemic on its business activities. The potential impact is not yet determinable; however there may have a material impact on the Company's financial position, results of operations, cash flows, and ability to obtain financing in future periods. In particular, there may be an increased risk of future goodwill and intangible asset impairments. As at August 4, 2020, all of our operations remain open and have not had to close as the Company has been deemed an essential business in all provinces that we currently operate in.

These consolidated financial statements were approved for issue by the Board of Directors on August 4, 2020.

2. Significant Accounting Policies (continued)

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 five subsidiaries, all located in Canada,: Clinton Building Components Ltd ("Clinton"), Satellite Building Components Ltd ("Satellite"), Coastal Windows Ltd ("Coastal"), Pacer Building Components Ltd ("Pacer"), and South Central Building Systems Ltd ("SC"). The Company owns 100% of the issued and outstanding shares of all of these subsidiaries. During the year ended December 31, 2019, the Company amalgamated four subsidiaries: Pacer, DMH Holding Corp ("DMH"), Tandelle Specialty Products ("Tandelle"), and 2022013 Ontario Ltd ("2022013").

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

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

3. Acquisition of South Central Building Systems Ltd.

On March 1, 2019, the Company completed its acquisition of SC Building Systems Ltd. ("SC") whereby the Company acquired all the issued and outstanding shares of SC for $3,400,000 consisting of $2,500,000 in cash, $400,000 in Atlas common shares at $0.40, $500,000 either in cash of five equal monthly instalments or shares at $0.40 beginning three months after closing, and future payment of assets totalling $261,671. SC elected to take $410,000 of the $500,000 in cash and $90,000 in Atlas common shares. SC is located in Carman, Manitoba. SC, a manufacturer of roof and floor trusses aligns with the core business of the Company. Share prices determined at time of negotiation and approved in share purchase agreement.

Goodwill of $883,275 has given the Company access to Southern Manitoba and the capital, Winnipeg. SC also has the ability to provide access to the Saskatchewan and US market with its proximity to these locations. Employees of SC also have many years of experience and skills in using automated equipment in the truss industry that can be extended to our other locations as automation is implemented.

A significant portion of the cash required to complete the transaction was provided by a term loan from a major Canadian chartered bank and secured by the assets of SC (Note 13).

(Unaudited - expressed in Canadian dollars)

3. Acquisition of South Central Building Systems Ltd. (continued)

In accordance with IFRS 3, the SC acquisition will be accounted for as a business combination. The purchase price allocation has been estimated as follows:

Category	$
Cash	2,910,000
Shares	490,000
Working capital excess	261,671
Total consideration	**3,661,671**
Cash	84,891
Accounts receivable	240,790
Inventories	312,276
Prepaids	20,335
Building and equipment	2,075,300
Other non-current assets	152,958
Intangible assets	714,000
Goodwill	883,275
Accounts payable and accrued liabilities	(134,103)
Long-term debt	(58,577)
Deferred tax liability	(629,474)
	3,661,671

The above PPA calculations have been finalized.

Prior to acquisition SC was a private company and financial information was impractical to obtain and verify. If the acquisition had occurred at January 1, 2019 then the revenues would have been $3,199,045 for January 1, 2019 to December 31, 2019. The following table shows the results of the operations of SC since the acquisition date.

	SC Jan 1 – Jun 30, 2020	**SC Mar 1 – Dec 31, 2019**
	$	**$**
Sales per consolidated financial statements	1,325,680	2,825,332
Loss before tax	(296,897)	(303,838)
Income tax recovery	(79,462)	(81,758)
Loss	(217,435)	(222,080)

4. Accounts receivable

Trade and other receivables were as follows:

	June 30, 2020	**December 31, 2019**
	$	**$**
Trade accounts receivable	3,928,745	3,334,500
Other receivables	187,193	58,925
Loss allowance	(8,150)	(5,443)
	4,107,788	3,387,982

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 six months ended June 30, 2020, the estimated credit loss amounted to $8,150.

(Unaudited - expressed in Canadian dollars)

5. Inventories

	June 30, 2020	December 31, 2019
	$	$
Raw materials	1,383,537	1,376,642
Work in progress	115,305	116,802
Finished goods	342,677	365,486
	1,841,519	1,858,930

During the three and six months ended June 30, 2020, $3,671,549 and $7,044,586 (June 30, 2019 - $3,641,857 and $6,122,920) in raw materials was expensed through cost of sales. It was determined that there was no requirement to write down any raw material, work in progress, or finished goods inventory during the three and six months ended June 30, 2020.

6. Buildings and equipment

	Land & Buildings	Office Furniture and Equipment	Vehicles	Production Equipment	Computer Equipment and Software	Signage and Land Improve	Total
	$	$	$	$	$	$	$
Cost							
Balance, December 31, 2018	5,385,514	169,354	2,387,561	3,095,110	229,234	201,611	11,468,384
Additions	124,102	33,428	441,994	596,299	36,502	-	1,232,325
Additions through business combination	892,000	7,000	290,500	885,800	-	-	2,075,300
Disposals	-	-	(400)	-	-	-	(400)
Balance, December 31, 2019	6,401,616	209,782	3,119,655	4,577,209	265,736	201,611	14,775,609
Additions	-	7,462	31,778	33,865	37,836	30,360	141,301
Disposals	-	-	(27,500)	-	-	-	(27,500)
Balance, June 30, 2020	6,401,616	217,244	3,123,933	4,611,074	303,572	231,971	14,889,410
Accumulated depreciation							
Balance, December 31, 2018	780,294	96,844	612,859	1,237,029	203,200	124,993	3,055,219
Additions	888,866	18,350	681,185	489,878	13,286	6,189	2,097,754
Disposals	-	-	(379)	-	-	-	(379)
Balance, December 31, 2019	1,669,160	115,194	1,293,665	1,726,907	216,486	131,182	5,152,594
Additions	453,248	9,664	282,493	274,689	8,242	3,247	1,031,583
Disposals	-	-	(4,440)	-	-	-	(4,440)
Balance, June 30, 2020	2,122,408	124,858	1,571,718	2,001,596	224,728	134,429	6,179,737
Carrying amount at December 31, 2019	4,732,456	94,588	1,825,990	2,850,302	49,250	70,429	9,623,015
Carrying amount at June 30, 2020	4,279,208	92,386	1,552,215	2,609,478	78,844	97,542	8,709,673

(Unaudited - expressed in Canadian dollars)

6. Buildings and equipment (continued)

Depreciation for tangible assets during the three and six months ended June 30, 2020 was $520,676 and $1,031,583 (June 30, 2019 - $514,911 and $976,354). During the three and six months ended June 30, 2020, $322,430 and $638,235 (June 30, 2019 - $291,319 and $563,921) of the depreciation was included in cost of sales.

The above buildings and equipment schedule includes right-of-use assets. The following summarizes those right-of-use assets and their depreciation for the periods ended June 30, 2020 and December 31, 2019.

	Building	Office Furniture and Equipment	Vehicles	Production Equipment	Total
	$	$	$	$	$
Balance, December 31, 2018	3,261,063	-	892,200	-	4,153,263
Additions	-	-	408,576	-	408,576
Disposals	-	-	-	-	-
Depreciation charge for the year	(826,841)	-	(378,745)	-	(1,205,586)
Balance, December 31, 2019	2,434,222	-	922,031	-	3,356,253
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation charge for the year	(413,420)	-	(150,220)	-	(563,640)
Balance, June 30, 2020	2,020,802	-	771,811	-	2,792,613

7. Intangible assets

	Customer Relationships	Brand	Certifications	Non-Compete Agreements	Total
	$	$	$	$	$
Cost					
Balance, December 31, 2018	3,757,000	838,000	142,000	413,000	5,150,000
Additions	282,000	368,000	-	64,000	714,000
Balance, December 31, 2019	4,039,000	1,206,000	142,000	477,000	5,864,000
Additions	-	-	-	-	-
Balance, June 30, 2020	4,039,000	1,206,000	142,000	477,000	5,864,000
Accumulated Depreciation					
Balance, December 31, 2018	64,306	15,702	3,549	8,415	91,972
Additions	399,196	114,478	14,196	93,266	621,136
Balance, December 31, 2019	463,502	130,180	17,745	101,681	713,108
Additions	201,948	60,306	7,098	47,700	317,052
Balance, June 30, 2020	665,450	190,486	24,843	149,381	1,030,160
Carrying amount at December 31, 2019	3,575,498	1,075,820	124,255	375,319	5,150,892
Carrying amount at June 30, 2020	3,373,550	1,015,514	117,157	327,619	4,833,840

As at June 30, 2020, the Company determined that there was no impairment to all intangible assets.

(Unaudited - expressed in Canadian dollars)

8. Goodwill

The following summarizes the Company's goodwill as at June 30, 2020 and December 31, 2019.

	Clinton	Satellite	Coastal	Pacer	SC	Total
	$	$	$	$		$
Cost						
Balance, December 31, 2018	474,428	136,446	90,773	2,279,248	-	2,980,895
Additions	-	-	-	5,079	883,275	888,354
Goodwill impairment	-	-	(90,773)	-	-	(90,773)
Balance, December 31, 2019	474,428	136,446	-	2,284,327	883,275	3,778,476
Additions	-	-	-	-	-	-
Balance, June 30, 2020	474,428	136,446	-	2,284,327	883,275	3,778,476

The Company uses the value in use method to evaluate the carrying amount of goodwill as at October 31 on an annual basis, but management still assesses for impairment indicators throughout the year. The Company has determined that there was no impairment to goodwill as at June 30, 2020.

9. Bank Indebtedness

	June 30, 2020	December 31, 2019
	$	$
Operating Line	-	1,470,000

The Company has an operating line of credit available for up to $1.75 million with no set terms of repayment. Interest rate on this line of credit is 4.2%. The line of credit is part of a larger facility that has a general security agreement and charges against fixed assets that was provided by a major Canadian bank.

10. Accounts payable and accrued liabilities

	June 30, 2020	December 31, 2019
	$	$
Trade accounts payable	1,862,137	1,711,022
Sales taxes payable	246,257	220,686
Salaries and vacation payable	451,338	309,924
Other accounts payable	107,979	65,621
Accrued liabilities	356,176	850,565
	3,023,887	3,157,818

(Unaudited - expressed in Canadian dollars)

11. Intangible liability

	Over-Market Lease Agreement	Total
	$	$
Cost		
Balance, December 31, 2018	172,000	172,000
Additions	-	-
Balance, December 31, 2019	172,000	172,000
Additions	-	-
Balance, June 30, 2020	172,000	172,000
Accumulated Depreciation		
Balance, December 31, 2018	2,867	2,867
Additions	34,404	34,404
Balance, December 31, 2019	37,271	37,271
Additions	17,202	17,202
Balance, June 30, 2020	54,473	54,473
Carrying amount at December 31, 2019	134,729	134,729
Carrying amount at June 30, 2020	117,527	117,527

As at June 30, 2020, the Company determined that there was no impairment to the intangible liability.

(Unaudited - expressed in Canadian dollars)

12. 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 June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
	$	$
Building under right-of-use asset lease repayable in monthly instalments of $22,000 inclusive of implied interest of 6.20% per annum, residual value of $nil, maturing in January 2021 (Note 17).	150,940	276,161
Building under right-of-use asset lease repayable in monthly instalments of $5,359 inclusive of implied interest of 6.45% per annum, residual value of $nil, maturing August 2021.	75,780	105,871
Building under right-of-use asset lease repayable in monthly instalments of $53,160 inclusive of implied interest of 6.45% per annum, residual value of $nil, maturing November 2023.	1,908,647	2,152,987
Vehicle under right-of-use asset lease repayable in monthly instalments of $4,879 with interest of 9.1% per annum, residual value of $51,000, maturing November 2020.	72,954	98,224
Vehicle under right-of-use asset lease repayable in monthly instalments of $5,150 with interest of 4.4% per annum, residual value of $2, maturing in April 2022.	108,659	136,804
Vehicle under right-of-use asset lease repayable in monthly instalments of $2,551 with interest of 4.5% per annum, residual value of $1, maturing September 2022.	65,381	79,039
Vehicle under right-of-use asset lease repayable in monthly instalments of $5,287 with no interest and residual value of $1, maturing December 2022.	158,616	190,339
Vehicle under right-of-use asset lease repayable in monthly instalments of $1,354 with interest of 4.6% per annum, residual value of $16,500, maturing October 2021.	36,498	43,686
Vehicle under right-of-use asset lease repayable in monthly instalments of $9,352 with interest of 4.7% per annum, residual value of $nil, maturing November 2022.	255,934	305,365
Total lease obligation	2,833,409	3,388,476
Current portion	(1,072,029)	(1,174,485)
Non-current portion	1,761,380	2,213,991

(Unaudited - expressed in Canadian dollars)

12. Lease obligations (continued)

The following is a schedule of the total lease payments made during the three and six months ended June 30, 2020 and 2019:

	Three months ended		Six months ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
	$	**$**	**$**	**$**
Principal payment	279,429	267,849	555,067	540,621
Interest expense	48,283	65,493	100,357	135,415
Total lease payments	327,712	333,342	655,424	676,036

During the six months ended June 30, 2020, no assets were purchased under a right-of-use asset lease (June 30, 2019 – a vehicle was purchased under a right-of-use asset lease for $408,576).

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

	June 30, 2020
	$
2020	702,124
2021	1,003,231
2022	847,795
2023	563,491
Total minimum lease payments	3,116,641
Less: imputed interest	(283,820)
Total present value of minimum lease payments	2,832,821

During the six months ended June 30, 2020, the Company entered into a low value lease for multiple office equipment items for $13,200 (June 30, 2019 – no short-term or low-value leases were entered into).

(Unaudited - expressed in Canadian dollars)

13. Long-term debt

The long-term debt consists of the following:

	June 30, 2020	December 31, 2019
	$	$
RBC loan[1]	518,613	529,641
RBC Leaseback[2]	267,213	339,740
RBC Leaseback[3]	126,926	153,347
RBC loan[4]	407,695	418,335
RBC assumed loan[5]	-	3,849
RBC assumed loan[6]	2,603	6,509
RBC assumed loan[7]	8,464	15,719
RBC assumed loan[8]	4,868	8,113
RBC assumed loan[9]	15,134	22,119
RBC assumed loan[10]	23,518	29,653
RBC assumed loan[11]	61,200	72,000
RBC assumed loan[12]	40,380	47,110
BDC loan[13]	877,212	892,000
BDC loan[14]	1,126,400	1,183,300
Scotiabank assumed loan[15]	38,115	42,981
RBC loan[16]	4,043,137	4,187,534
Saw financing[17]	261,007	323,649
	7,822,485	8,275,599
Less current portion of term debt	(1,623,750)	(6,182,748)
Total long-term portion of term debt	6,198,735	2,092,851

1. A mortgage with a major Canadian bank bearing interest at a floating base rate (3.45% as at Jun 30, 2020) repayable at approximately $3,688 per month with the current term ending February 2022. The mortgage is amortized over 251 months. The loan is secured by a general security interest granted by the Company, with a security on the land and building of Clinton.
2. A leaseback with a major Canadian bank bearing interest at an implied rate of 4.6% repayable in instalments of $13,262 per month over a 48-month term. The leaseback is secured by the equipment of Truebeam.
3. A leaseback with a major Canadian bank bearing interest at an implied rate of 4.7% repayable in instalments of $4,965 per month over a 48-month term. The leaseback is secured by the equipment of Satellite.
4. A mortgage with a major Canadian bank bearing interest at a fixed rate of 5.05% for the initial term repayable at approximately $3,510 per month. The initial term ends October 9, 2023. The mortgage is amortized over 180 months. The loan is secured by a general security interest granted by the Company, with security on the land and building of Satellite .
5. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Jun 30, 2020) repayable at approximately $1,300 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 17 months. The loan is secured by a specific piece of equipment.
6. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Jun 30, 2020) repayable at approximately $666 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 24 months. The loan is secured by a specific piece of equipment.
7. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Jun 30, 2020) repayable at approximately $1,253 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 26 months. The loan is secured by a specific piece of equipment.
8. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Jun 30, 2020) repayable at approximately $561 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 29 months. The loan is secured by a specific piece of equipment.
9. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Jun 30, 2020) repayable at approximately $1,220 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 33 months. The loan is secured by a specific piece of equipment.
10. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Jun 30, 2020) repayable at approximately $1,110 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 42 months. The loan is secured by a specific piece of equipment.

13. Long-term debt

11. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Jun 30, 2020) repayable at approximately $2,027 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 53 months. The loan is secured by a specific piece of equipment.
12. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Jun 30, 2020) repayable at approximately $1,280 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 55 months. The loan is secured by a specific piece of equipment.
13. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at Jun 30, 2020) repayable at approximately $3,717 per month with maturity being December 2039. The loan is interest only payments until January 9, 2020 and is amortized over 240 months. The loan is secured by a general security interest granted by the Company, with a security on the land and building of SC.
14. A term loan with a major Canadian bank bearing interest at a floating base rate (7.64% as at Jun 30, 2020) repayable at approximately $14,080 per month with maturity being December 2026. The loan is interest only payments until January 9, 2020 and is amortized over 84 months. The loan is secured by a general security interest granted by the Company, with a security on the equipment of SC.
15. A financing loan with a major Canadian bank bearing interest at 0.00% as at Jun 30, 2020, repayable at approximately $811 per month. The loan was assumed on the acquisition of SC and remaining life is amortized over 62 months. The loan is secured by a specific piece of equipment.
16. A term loan with a major Canadian bank bearing interest at a floating base rate (5.2% as at Jun 30, 2020) repayable at principal of $144,398 plus interest per month from June to December and interest only payments from January to May. The loan is amortized over 55 months. The loan is secured by a general security interest granted by the Company, with a security on various equipment of the Company.
17. An equipment financing with a major equipment supplier, Mitek Canada Inc. bearing interest at 0.00% as at Jun 30, 2020 and repayable at principal of $10,440 plus tax per month. 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. Loans 1 and 4 of the Company's debt obligations have consistent payments and a change in the interest rate would affect the principal payment portion as the overall payment is set for the term. The remaining loans have fluctuating payments that would change as the interest rate changes and the principal portion of those payments would remain constant.

The Company has not had any modifications to the terms of the debt during the six months ended June 30, 2020 and any future changes will result in updates to the long-term debt schedules.

The long-term debt contains two financial covenants. A debt service coverage ratio of not less than 1.25 to 1 which is tested annually at the Company's year end and a current ratio of not less than 1.25 to 1 which is tested quarterly. As at June 30, 2020, the Company was in compliance with their covenants and the bank has also provided a waiver on the covenants from December 31, 2019 and up to December 31, 2020.

14. Share capital

a) Authorized

Unlimited common shares without par value.

b) Share capital transactions

On February 6, 2020, the Company completed a private placement, issuing 11,493,134 common shares at $0.40 per share for gross proceeds of $4,597,253. The Company also incurred $261,954 of cash issue costs. Cash issue costs net of tax is $203,377.

(Unaudited - expressed in Canadian dollars)

14. Share capital (continued)

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 June 30, 2020 and December 31, 2019 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price
		$
Balance as at December 31, 2018	2,369,999	0.53
Granted	1,390,000	0.30
Exercised	(16,666)	0.30
Forfeited	(658,333)	0.49
Balance as at December 31, 2019	3,085,000	0.43
Granted	-	-
Forfeited	-	-
Balance as at June 30, 2020	3,085,000	0.43

The total share-based payment expense recorded during the three and six months ended June 30, 2020 was $23,290 and $67,568 (June 30, 2019: $111,713 and $197,681).

The following table summarizes information about the share options outstanding as at June 30, 2020:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years) options outstanding	Weighted exercise price of options exercisable	Number of options exercisable	Expiry date
$0.49	1,222,500	2.35	$0.49	1,222,500	November 8, 2022
$0.60	450,000	2.60	$0.60	450,000	February 5, 2023
$0.53	202,500	2.64	$0.53	202,500	February 21, 2023
$0.30	1,210,000	3.67	$0.30	806,663	March 4, 2024
$0.43	3,085,000	2.93	$0.45	2,681,663	

(Unaudited - expressed in Canadian dollars)

14. Share capital (continued)

c) Options (continued)

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

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

d) Warrants

The Company issued a ½ warrant with each common share with the two private placements completed October 31, 2018 and December 3, 2018. On February 6, 2020, the Company close another private placement with one warrant issued with each common share. All warrants allow the holder to exercise the warrant for a common share of the Company at a price of $0.60. All warrants also expire two years after they were issued.

The Company's warrants outstanding as at June 30, 2020 and December 31, 2019 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price
		$
Balance as at December 31, 2018	5,165,000	0.60
Granted	-	-
Forfeited	-	-
Balance as at December 31, 2019	5,165,000	0.60
Granted	12,148,019	0.60
Forfeited	-	-
Balance as at June 30, 2020	17,313,019	0.60

The total warrant reserve recorded for the three and six months ended June 30, 2020 was $NIL and $NIL (June 30, 2019: $NIL and $NIL).

15. Revenue

The Company has three distinct revenue streams: trusses, engineered wood products, and windows. The Company's revenues by these revenue streams for the three and six months ended June 30, 2020 and 2019 is as follows:

Three months ended June 30, 2020

	Trusses	Engineered wood products	Windows	Total
	$	$	$	$
Total revenue	5,779,130	1,800,395	321,280	7,900,805

(Unaudited - expressed in Canadian dollars)

15. Revenue (continued)

Three months ended June 30, 2019

	Trusses	Engineered wood products	Windows	Total
	$	$	$	$
Total revenue	6,871,984	1,819,599	375,751	9,067,334

Six months ended June 30, 2020

	Trusses	Engineered wood products	Windows	Total
	$	$	$	$
Total revenue	11,046,804	3,253,217	698,763	14,998,784

Six months ended June 30, 2019

	Trusses	Engineered wood products	Windows	Total
	$	$	$	$
Total revenue	11,917,333	2,757,866	609,043	15,284,242

16. Cost of sales

Cost of sales for the three and six months ended June 30, 2020 and 2019 is as follows:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	$	$	$	$
Materials	3,694,208	3,668,156	7,082,206	6,189,560
Labour	1,616,756	2,035,167	3,437,622	3,700,907
Maintenance and overhead	398,235	566,949	858,870	1,163,695
Amortization	322,428	291,320	638,234	563,921
Total cost of sales	6,031,627	6,561,592	12,016,932	11,618,083

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, Coastal, Pacer, and SC.

(Unaudited - expressed in Canadian dollars)

17. Related party transactions (continued)

The Company incurred the following charges as part of the Company's consolidated statement of income and comprehensive loss during the three and six months ended June 30, 2020 and 2019:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	$	$	$	$
Salaries and benefits	334,286	145,110	772,870	291,822
Management fees	73,000	72,000	145,000	145,200
Finance charge on lease obligations[1]	5,204	6,644	6,780	14,028
Share-based compensation	21,943	87,476	63,659	145,811
Total related party transactions	434,433	311,230	988,309	596,861

Due from/to related parties

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

	June 30, 2020	December 31, 2019
	$	$
Due from related party		
Accounts receivable	122,069	95,787
Total due from related party	122,069	95,787
Due to related parties		
Accounts payable and accrued liabilities	(195,743)	(424,331)
Lease obligation (Note 12)[1]	(150,940)	(276,161)
Total due to related parties	(346,683)	(700,492)

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 three and six months ended June 30, 2020 and 2019, the Company had the following non-cash investing and financing activities:

Three and six months ended June 30, 2020

During the three and six months ended June 30, 2020, the Company had no investing or financing activities identified that did not have a direct impact on the current cash flows.

Three and six months ended June 30, 2019

During the three and six months ended June 30, 2019, the Company had no investing or financing activities identified that did not have a direct impact on the current cash flows.

(Unaudited - expressed in Canadian dollars)

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, 2019	8,275,599	3,388,476	11,664,075
Repayments	(453,114)	(555,067)	(1,008,181)
Issuance	-	-	-
Assumed on acquisition	-	-	-
Balance June 30, 2020	7,822,485	2,833,409	10,655,894

	Long-term debt	Lease obligations	Total
	$	$	$
Balance December 31, 2018	7,470,165	4,083,996	11,554,161
Repayments	(1,704,293)	(1,104,096)	(2,808,389)
Issuance	2,451,150	408,576	2,859,726
Assumed on acquisition	58,577	-	58,577
Balance December 31, 2019	8,275,599	3,388,476	11,664,075

20. Financial instruments

Classification of financial instruments

The Company's financial instruments consist of cash, trade accounts receivable, bank indebtedness, 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 bank indebtedness, 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.

Fair value

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

20. Financial instruments (continued)

Market risk

a) Foreign exchange risk

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

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

Profit or loss is sensitive to the fluctuations of the USD to CDN foreign exchange rates on the US revenues. If the USD foreign exchange rate were to increase by 10% with a full year of USD sales transactions, this is estimated by management to increase sales by $110,000 annually.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's policy is to minimize interest rate risk exposures on term financing. All leases and exchangeable notes have fixed rates. As at June 30, 2020, 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 $11,300 over the next fiscal 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 for the periods ended June 30, 2020 and December 31, 2019 summarized below:

	June 30, 2020	December 31, 2019
	$	$
Classes of financial assets – carrying amounts		
Cash	3,033,576	1,553,005
Trade accounts receivable, net of loss allowance	3,920,595	3,329,057
	6,954,171	4,882,062

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

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

(Unaudited - expressed in Canadian dollars)

20. Financial instruments (continued)

Credit risk (continued)

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 June 30, 2020 and December 31, 2019 is summarized below:

	June 30, 2020	December 31, 2019
	$	$
Trade accounts receivable, net of loss allowance		
Current	3,106,935	2,213,996
Past due 1 to 30 days	488,017	743,149
Past due 31 to 60 days	111,443	239,811
Past due over 60 days	214,200	132,101
	3,920,595	3,329,057

The loss allowance as at June 30, 2020 and December 31, 2019 was determined as follows for trade accounts receivable:

As at June 30, 2020

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due over 60 days	Total
Expected loss rate	0.00%	0.00%	0.25%	3.54%	0.21%
Trade accounts receivable	3,106,935	488,017	111,443	222,350	3,928,745
Loss allowance	-	-	279	7,871	8,150

As at December 31, 2019

	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%	3.54%	0.16%
Trade accounts receivable	2,213,996	743,149	240,412	136,943	3,334,500
Loss allowance	-	-	601	4,842	5,443

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

Liquidity risk

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

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables exceeds the current cash outflow requirements as our current ratio is currently 1.58:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

(Unaudited - expressed in Canadian dollars)

20. Financial instruments (continued)

Liquidity risk (continued)

As at June 30, 2020, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current	Current	Non-current	Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	$	$	$	$
Lease obligations	702,124	517,017	1,897,500	-
Accounts payable and accrued liabilities	3,023,887	-	-	-
Income taxes payable	-	-	-	-
Long-term debt	1,333,585	641,868	5,633,302	1,777,105
Total	5,059,596	1,158,885	7,530,802	1,777,105

As at December 31, 2019, 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	655,424	702,124	2,414,518	-
Accounts payable and accrued liabilities	3,157,818	-	-	-
Income taxes payable	240,326	-	-	-
Long-term debt	6,079,418	241,327	1,480,212	1,341,805
Total	10,132,986	943,451	3,894,730	1,341,805

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

21. Management of capital

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

(Unaudited - expressed in Canadian dollars)

21. Management of capital (continued)

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

	June 30, 2020	**December 31, 2019**
	$	**$**
Long-term debt	7,822,485	8,275,599
Lease obligations	2,833,409	3,388,476
Less: Cash and cash equivalents	(3,033,576)	(1,553,005)
Net debt	7,622,318	10,111,070
Total equity	12,219,468	8,221,621
	19,841,786	18,332,691

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling its expenses.

Management reviews its capital management policies on an ongoing basis.

22. Subsequent events

a) Asset acquisition

On July 20th, 2020, the Company completed an acquisition of assets from Trusstem Industries Inc. ("Trusstem") for $350,000 consisting of $175,000 in cash on day of closing and $175,000 in cash in equal monthly instalments for a term of three years commencing on September 1, 2020. The $175,000 to be paid over three years is subject to interest at 3%. The Company acquired these assets through its wholly owned subsidiary, Novum Building Components Ltd. ("Novum") . Novum commenced operations at the original Trusstem location on July 20th, 2020. Novum is located in Abbotsford, British Columbia. Novum will be manufacturing roof and floor trusses and supplying engineered wood products which aligns with the core business of the Company.

With this location the Company gains access to the Lower Mainland and Okanagan areas in BC.

In accordance with IFRS 3, the SC acquisition will be accounted for as a business combination. The purchase price allocation has been estimated as follows:

Category	$
Cash	350,000
Total consideration	**350,000**
Equipment and vehicles	175,000
Goodwill	175,000
	350,000

Due to the recent nature of the transaction the values have not been finalized. The above values are based on initial working papers and the asset purchase agreement, but some values are still being valued. The valuation of the intangible assets has also not been completed.