

# AEP

ATLAS ENGINEERED  
PRODUCTS

Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023  
(Expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

**Atlas Engineered Products Ltd.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As at September 30, 2024 and December 31, 2023**  
*(Unaudited - expressed in Canadian dollars)*

	Note	September 30, 2024	December 31, 2023
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		16,494,854	14,747,369
Accounts receivable	4, 15, 18	8,945,241	6,709,146
Income taxes receivable		965,760	2,327,246
Inventories	5	7,903,742	6,807,522
Prepaid expenditures		286,437	205,674
Deposits		1,738,074	-
		36,334,108	30,796,957
<b>Non-current</b>			
Buildings and equipment	6	19,362,218	20,887,444
Intangible assets	7	7,723,152	9,052,993
Goodwill	8	19,752,336	18,204,606
Deferred tax assets		573,480	501,699
<b>Total Assets</b>		<b>83,745,294</b>	<b>79,443,699</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	9, 15	3,395,645	2,911,708
Customer deposits		1,046,958	464,760
Lease obligations – current portion	10	1,129,272	1,055,254
Long-term debt – current portion	11	3,081,260	3,492,638
		8,653,135	7,924,360
<b>Non-current</b>			
Lease obligations	10	2,765,441	3,521,769
Long-term debt	11	19,065,958	30,196,906
Deferred tax liability		4,103,724	3,371,078
		34,588,258	45,014,113
<b>Shareholders' Equity</b>			
Share capital	12	35,552,451	21,453,733
Contributed surplus	12	1,775,947	1,773,815
Retained Earnings		11,828,638	11,202,038
		49,157,036	34,429,586
<b>Total Liabilities and Shareholders' Equity</b>		<b>83,745,294</b>	<b>79,443,699</b>

APPROVED BY THE DIRECTORS ON November 22, 2024

DON HUBBARD

Director

KEVIN SMITH

Director

**Atlas Engineered Products Ltd.**  
**Condensed Interim Consolidated Statements of Income and Comprehensive Income**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

	Note	Three Months Ended September 30, 2024	September 30, 2023	Nine Months Ended September 30, 2024	September 30, 2023
		\$	\$	\$	\$
<b>Revenue</b>	<b>13</b>	16,550,911	14,369,546	40,759,108	35,216,250
<b>Cost of sales</b>	<b>14</b>	(12,466,248)	(10,111,245)	(30,804,400)	(24,703,881)
<b>Gross profit</b>		4,084,663	4,258,301	9,954,708	10,512,369
<b>Operating expenses</b>					
Administrative and office	<b>15</b>	656,135	526,870	1,924,404	1,708,941
Depreciation and amortization	<b>6, 7</b>	702,277	378,137	2,299,723	1,084,639
Bad debt expense (recovery)		1,896	(8,260)	2,669	(8,868)
Professional fees		114,026	283,085	307,832	491,259
Salaries and benefits	<b>15</b>	898,223	939,952	3,031,127	2,809,956
Share-based payments	<b>12(c), 15</b>	115,207	88,274	181,532	428,859
<b>Operating income</b>		1,596,899	2,050,243	2,207,421	3,997,583
Other income		214,200	177,409	423,192	575,843
Interest expense	<b>11</b>	(416,260)	(399,029)	(1,489,440)	(807,486)
Finance charge on leases	<b>10, 15</b>	(62,944)	(18,507)	(196,046)	(63,231)
Foreign exchange loss		(8,470)	(585)	(10,351)	(1,238)
(Loss) gain on disposal of assets		(5,554)	-	(3,814)	16,267
<b>Income before income tax</b>		1,317,871	1,809,531	930,962	3,717,738
<b>Income taxes</b>					
Current income tax expense		(647,280)	(633,001)	(910,331)	(1,400,102)
Deferred income tax recovery		243,867	124,221	605,969	312,651
		(403,413)	(508,780)	(304,362)	(1,087,451)
<b>Net income and comprehensive income for the period</b>		914,458	1,300,751	626,600	2,630,287
<b>Income per share</b>					
Basic		0.01	0.02	0.01	0.05
Diluted		0.01	0.02	0.01	0.04
<b>Weighted average number of shares outstanding</b>					
Basic		70,385,477	58,087,214	63,217,680	57,757,016
Diluted		73,406,599	60,953,880	66,002,631	60,693,108

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

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total
	(Note 12)	(Note 12)	(Note 12)		
		\$	\$	\$	\$
<b>Balance, December 31, 2022</b>	<b>57,847,263</b>	<b>19,426,569</b>	<b>1,393,934</b>	<b>8,052,200</b>	<b>28,872,703</b>
Share-based payments	-	-	428,859	-	428,859
Shares issued on acquisitions	1,754,384	2,000,000	-	-	2,000,000
Shares repurchased for cancellation	(738,900)	(270,771)	-	-	(270,771)
Stock options exercised	253,334	271,596	(119,595)	-	152,001
Net income for the period	-	-	-	2,630,287	2,630,287
<b>Balance, September 30, 2023</b>	<b>59,116,081</b>	<b>21,427,394</b>	<b>1,703,198</b>	<b>10,682,487</b>	<b>33,813,079</b>
Share-based payments	-	-	82,457	-	82,457
Shares issued on acquisition	-	-	-	-	-
Shares repurchased for cancellation	-	-	-	-	-
Stock options exercised	50,000	26,339	(11,840)	-	14,499
Net income for the period	-	-	-	519,551	519,551
<b>Balance, December 31, 2023</b>	<b>59,166,081</b>	<b>21,453,733</b>	<b>1,773,815</b>	<b>11,202,038</b>	<b>34,429,586</b>
Share-based payments	-	-	181,532	-	181,532
Shares repurchased for cancellation (Note 12b)	(19,100)	(21,774)	-	-	(21,774)
Shares issued for cash (Note 12b)	10,787,300	14,562,855	-	-	14,562,855
Shares issue costs (Note 12b)	-	(836,688)	-	-	(836,688)
Stock options exercised (Note 12b)	590,000	394,325	(179,400)	-	214,925
Net income for the period	-	-	-	626,600	626,600
<b>Balance, September 30, 2024</b>	<b>70,524,281</b>	<b>35,552,451</b>	<b>1,775,947</b>	<b>11,828,638</b>	<b>49,157,036</b>

**Atlas Engineered Products Ltd.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income for the period	914,458	1,300,751	626,600	2,630,287
Depreciation and amortization	1,234,363	811,823	3,892,022	2,315,041
Unrealized foreign exchange loss	2,431	76	2,431	-
Deferred tax (recovery) expense	(243,866)	(124,221)	660,865	(312,651)
Gain (loss) on disposal of assets	5,554	-	3,814	(16,267)
Share-based payments	115,207	88,274	181,532	428,859
<b>Changes in non-cash working capital items:</b>				
Accounts receivable	(1,190,395)	319,131	(2,238,526)	122,921
Inventories	642,631	590,964	(1,096,220)	632,462
Prepaid expenditures	(35,845)	26,246	(80,763)	60,134
Deposits	(944,682)	1,100,000	(1,738,074)	216,985
Accounts payable and accrued liabilities	(959,687)	(882,908)	483,937	(414,544)
Customer deposits	99,869	(295,309)	582,198	(244,511)
Corporate income taxes receivable	1,180,109	(222,749)	1,361,486	(1,320,153)
Corporate income taxes payable	-	-	-	(912,371)
<b>Cash provided by operations</b>	<b>820,147</b>	<b>2,712,078</b>	<b>2,641,302</b>	<b>3,186,192</b>
<b>Investing activities</b>				
Acquisition of buildings and equipment	(493,465)	(51,516)	(1,055,769)	(573,600)
Proceeds from disposition of equipment	1,500	-	15,000	24,000
LCF acquisition net of cash acquired	-	(23,888,805)	(1,547,730)	(23,888,805)
<b>Cash used in investing activities</b>	<b>(491,965)</b>	<b>(23,940,321)</b>	<b>(2,588,499)</b>	<b>(24,438,405)</b>
<b>Financing activities</b>				
Repayment of principal lease obligations	(270,117)	(268,211)	(787,293)	(774,577)
Issuance of capital lease obligation	104,983	-	104,983	-
Repayment of long-term debt (Note 11)	(3,670,315)	(9,144,499)	(11,542,326)	(10,062,764)
Proceeds from long-term debt (Note 11)	-	31,094,000	-	31,094,000
Shares issued for cash (Note 12b)	-	-	14,562,855	-
Shares issue costs (Note 12b)	(77,228)	-	(836,688)	-
Shares repurchased for cancellation (Note 12b)	-	(1,026)	(21,774)	(270,771)
Proceeds from stock option exercise (Note 12b)	124,925	-	214,925	152,001
<b>Cash (used in) provided by financing activities</b>	<b>(3,787,752)</b>	<b>21,680,264</b>	<b>1,694,682</b>	<b>20,137,889</b>
<b>(Decrease) increase in cash</b>	<b>(3,459,570)</b>	<b>452,021</b>	<b>1,747,485</b>	<b>(1,114,324)</b>
<b>Cash - beginning of period</b>	<b>19,954,424</b>	<b>14,552,256</b>	<b>14,747,369</b>	<b>16,118,601</b>
<b>Cash - end of period</b>	<b>16,494,854</b>	<b>15,004,277</b>	<b>16,494,854</b>	<b>15,004,277</b>
<b>Cash paid during the period for:</b>				
Interest	479,204	417,536	1,685,486	870,717
Income taxes	306,129	855,946	120,040	3,632,822

Supplemental cash flow information – Note 16

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

---

**1. Nature of Operations**

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

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

**2. Material Accounting Policies**

**Basis of presentation**

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”), effective for the Company’s reporting for the nine months ended September 30, 2024.

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

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

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

These consolidated financial statements were approved for issue by the Board of Directors on November 22, 2024.

**Basis of consolidation**

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

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

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

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**3. Acquisition of LCF**

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

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

In accordance with IFRS 3, the LCF acquisition will be accounted for as a business combination. The purchase price allocation is finalized as follows:

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

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

	LCF Jan 1 – Sept 30, 2024	LCF Aug 23 – Dec 31, 2023
Sales per consolidated financial statements	12,518,442	7,710,937
Income before tax	1,649,274	1,713,216
Income tax expense	(15,469)	(215,530)
Income for the period	1,633,805	1,497,686



**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**4. Accounts receivable**

Trade and other receivables were as follows:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Trade accounts receivable	8,584,970	6,630,633
Other receivables	367,353	83,925
Loss allowance	(7,082)	(5,412)
	<b>8,945,241</b>	<b>6,709,146</b>

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 nine months ended September 30, 2024, the estimated credit loss amounted to \$7,082 (December 31, 2023 - \$5,412).

**5. Inventories**

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Raw materials	6,419,418	5,894,969
Work in progress	210,186	175,033
Finished goods	1,109,121	581,889
Other	165,017	155,631
	<b>7,903,742</b>	<b>6,807,522</b>

During the three and nine months ended September 30, 2024, \$7,028,101 and \$16,299,186 (September 30, 2023 - \$5,758,210 and \$13,916,810) 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 nine months ended September 30, 2024.

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**6. Buildings and equipment**

	Land and Buildings	Office Furniture and Equipment	Vehicles	Production Equipment	Computer Equipment and Software	Signage and Land Improv	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Balance, December 31, 2022	10,472,557	255,156	2,958,002	6,877,254	409,502	229,421	21,201,892
Additions	3,882,748	5,357	47,783	517,829	38,915	-	4,492,632
Additions through business combination	2,792,000	135,000	2,574,900	1,721,500	-	-	7,223,400
Disposals	(2,866,124)	-	(25,000)	(25,000)	-	-	(2,916,124)
Balance, December 31, 2023	14,281,181	395,513	5,555,685	9,091,583	448,417	229,421	30,001,800
Additions	435,407	28,954	520,744	45,748	24,917	-	1,055,770
Additions through business combination	-	-	-	-	-	-	-
Disposals	-	-	(57,136)	-	-	-	(57,136)
<b>Balance, September 30, 2024</b>	<b>14,716,588</b>	<b>424,467</b>	<b>6,019,293</b>	<b>9,137,331</b>	<b>473,334</b>	<b>229,421</b>	<b>31,000,434</b>
<b>Accumulated depreciation</b>							
Balance, December 31, 2022	3,354,860	169,106	1,893,670	3,458,768	296,178	144,557	9,317,139
Additions	1,167,494	27,382	605,161	857,088	37,872	7,452	2,702,449
Disposals	(2,866,124)	-	(21,841)	(17,267)	-	-	(2,905,232)
Balance, December 31, 2023	1,656,230	196,488	2,476,990	4,298,589	334,050	152,009	9,114,356
Additions	1,052,600	31,753	726,290	720,308	26,181	5,049	2,562,181
Disposals	-	-	(38,321)	-	-	-	(38,321)
<b>Balance, September 30, 2024</b>	<b>2,708,830</b>	<b>228,241</b>	<b>3,164,959</b>	<b>5,018,897</b>	<b>360,231</b>	<b>157,058</b>	<b>11,638,216</b>
<b>Carrying amount at December 31, 2023</b>	<b>12,624,951</b>	<b>199,025</b>	<b>3,078,695</b>	<b>4,792,994</b>	<b>114,367</b>	<b>77,412</b>	<b>20,887,444</b>
<b>Carrying amount at September 30, 2024</b>	<b>12,007,758</b>	<b>196,226</b>	<b>2,854,334</b>	<b>4,118,434</b>	<b>113,103</b>	<b>72,363</b>	<b>19,362,218</b>

Depreciation for tangible assets during the three and nine months ended September 30, 2024 was \$873,043 and \$2,562,181 (September 30, 2023 - \$606,268 and \$1,696,816). During the three and nine months ended September 30, 2024, \$532,086 and \$1,592,299 (September 30, 2023 - \$433,686 and \$1,230,402) of the depreciation was included in cost of sales.

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**6. Buildings and equipment (continued)**

The above buildings and equipment schedule includes right-of-use assets. The following summarizes those right-of-use assets and their depreciation for the periods ended September 30, 2024 and December 31, 2023.

	<b>Building</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
Balance, December 31, 2022	1,627,920	1,627,920
Additions	3,866,330	3,866,330
Disposals, net	-	-
Depreciation charge for the year	(995,319)	(995,319)
Balance, December 31, 2023	4,498,931	4,498,931
Additions	107,553	107,553
Disposals, net	-	-
Depreciation charge for the period	(890,237)	(890,237)
Balance, September 30, 2024	3,716,247	3,716,247

**7. Intangible assets**

	<b>Customer Relationships</b>	<b>Brand</b>	<b>Non-Compete Agreements</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>				
Balance, December 31, 2022	4,896,000	1,206,000	1,248,000	7,350,000
Additions	2,490,000	1,375,000	1,472,000	5,337,000
Impairment	-	-	-	-
Balance, December 31, 2023	7,386,000	2,581,000	2,720,000	12,687,000
Additions	-	-	-	-
Impairment	-	-	-	-
<b>Balance, September 30, 2024</b>	<b>7,386,000</b>	<b>2,581,000</b>	<b>2,720,000</b>	<b>12,687,000</b>
<b>Accumulated amortization</b>				
Balance, December 31, 2022	1,774,312	492,016	516,381	2,782,709
Additions	489,603	120,507	241,188	851,298
Impairment	-	-	-	-
Balance, December 31, 2023	2,263,915	612,523	757,569	3,634,007
Additions	643,085	242,782	443,974	1,329,841
Impairment	-	-	-	-
<b>Balance, September 30, 2024</b>	<b>2,907,000</b>	<b>855,305</b>	<b>1,201,543</b>	<b>4,963,848</b>
<b>Carrying amount at December 31, 2023</b>	<b>5,122,085</b>	<b>1,968,477</b>	<b>1,962,431</b>	<b>9,052,993</b>
<b>Carrying amount at September 30, 2024</b>	<b>4,479,000</b>	<b>1,725,695</b>	<b>1,518,457</b>	<b>7,723,152</b>

Amortization for intangible assets during the three and nine months ended September 30, 2024 was \$361,320 and \$1,329,841 (September 30, 2023 - 214,156 and \$644,028).

As at September 30, 2024, the Company completed a quarterly assessment of the intangible assets and determined there were no circumstances leading to an impairment of these intangible assets.

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**8. Goodwill**

The following summarizes the Company's goodwill as at September 30, 2024 and December 31, 2023.

	Clinton	Satellite	Pacer	SC	Hi-Tec	LCF	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Balance, December 31, 2022	474,428	136,446	2,284,327	883,275	2,956,023	-	6,734,499
Additions	-	-	-	-	-	11,470,107	11,470,107
Balance, December 31, 2023	474,428	136,446	2,284,327	883,275	2,956,023	11,470,107	18,204,606
Additions	-	-	-	-	-	1,547,730	1,547,730
<b>Balance, September 30, 2024</b>	<b>474,428</b>	<b>136,446</b>	<b>2,284,327</b>	<b>883,275</b>	<b>2,956,023</b>	<b>13,017,837</b>	<b>19,752,336</b>

The Company uses the value in use method to evaluate the carrying amount of goodwill as at October 31 on an annual basis, but management still assesses for impairments indicators throughout the year. The Company has determined that there was no impairment to goodwill as at September 30, 2024.

**9. Accounts payable and accrued liabilities**

	September 30, 2024	December 31, 2023
	\$	\$
Trade accounts payable	1,652,424	1,186,226
Sales taxes payable	382,748	348,743
Salaries and vacation payable	859,476	742,278
Other accounts payable	55,945	36,851
Accrued liabilities	445,052	597,610
	<b>3,395,645</b>	<b>2,911,708</b>

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**10. 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 September 30, 2024 and December 31, 2023 are as follows:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Building under right-of-use asset lease repayable in monthly instalments of \$25,500 inclusive of implied interest of 5.95% per annum, residual value of \$nil, maturing in December 2025 (Note 15).	373,910	582,065
Building under right-of-use asset lease repayable in monthly instalments of \$67,160 inclusive of implied interest of 6.7% per annum, residual value of \$nil, maturing October 2028.	3,134,536	3,579,138
Building under right-of-use asset lease repayable in monthly instalments of \$6,646 inclusive of implied interest of 3.95% per annum, residual value of \$nil, maturing in June 2027.	207,734	260,614
Building under right-of-use asset lease repayable in monthly instalments of \$9,074 inclusive of implied interest of 6.7% per annum, residual value of \$nil, maturing in June 2025.	81,631	155,206
Vehicle under right-of-use asset lease repayable in monthly instalments Of \$2,377 with interest of 7.64% per annum, residual value of \$32,543, maturing in June 2027.	96,902	-
Total lease obligation	3,894,713	4,577,023
Current portion	(1,129,272)	(1,055,254)
Non-current portion	2,765,441	3,521,769

The following is a schedule of the total lease payments made during the three and nine months ended September 30, 2024 and 2023:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2024</b>	<b>September 30, 2023</b>	<b>September 30, 2024</b>	<b>September 30, 2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Principal payment	270,117	268,211	787,293	774,577
Interest expense	62,944	18,507	196,046	63,231
Total lease payments	333,061	286,718	983,339	837,808

During the three and nine months ended September 30, 2024, a vehicle was acquired under a right-of-use asset lease for \$104,681 (September 30, 2023 – the Company renewed two building leases for a total value of \$3,893,175).

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**10. Lease obligations (continued)**

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

	<b>September 30, 2024</b>
	<b>\$</b>
2024	338,180
2025	1,317,000
2026	974,810
2027	979,632
2028	762,920
Total minimum lease payments	4,372,542
Less: imputed interest	(477,829)
Total present value of minimum lease payments	3,894,713

During the nine months ended September 30, 2024 – the Company did not enter into any low value leases (September 30, 2023 – the Company did not enter into any low value leases).

**11. Long-term debt**

The long-term debt consists of the following:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
TD term loan <sup>1</sup>	17,958,333	28,033,333
TD mortgage <sup>2</sup>	2,185,625	2,258,750
TD mortgage <sup>3</sup>	2,003,260	2,066,080
BDC loan <sup>4</sup>	-	735,966
BDC loan <sup>5</sup>	-	591,360
Scotiabank assumed loan <sup>6</sup>	-	4,055
	22,147,218	33,689,544
Less current portion of term debt	(3,081,260)	(3,492,638)
Total long-term portion of term debt	19,065,958	30,196,906

1. A term loan with a major Canadian bank bearing interest at a fixed rate (6.37% as at September 30, 2024) repayable at \$241,667 per month with maturity August 2033. The term of the loan is 120 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
2. A mortgage with a major Canadian bank bearing interest at a fixed rate (6.37% as at September 30, 2024) repayable at \$8,125 per month with maturity February 2047. The loan is amortized over 300 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
3. A mortgage with a major Canadian bank bearing interest at a fixed rate (6.37% as at September 30, 2024) repayable at \$6,980 per month with maturity August 2048. The loan is amortized over 300 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
4. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at September 30, 2024) repayable at approximately \$3,717 per month with maturity being June 2040. The loan was interest only payments until January 9, 2020 and is amortized over 256 months. The loan is secured by a general security interest granted by the Company, with a security on the land and building of SC.
5. A term loan with a major Canadian bank bearing interest at a floating base rate (7.64% as at September 30, 2024) repayable at approximately \$14,080 per month with maturity being June 2027. The loan was interest only payments until January 9, 2020 and is amortized over 100 months. The loan is secured by a general security interest granted by the Company, with a security on the equipment of SC.
6. A financing loan with a major Canadian bank bearing interest at 0.00% as at September 30, 2024, repayable at approximately \$811 per month with maturity being May 2024. The loan was assumed on the acquisition of SC and remaining life is amortized over 72 months. The loan is secured by a specific piece of equipment.

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

---

**11. Long-term debt (continued)**

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

On January 9, 2024, the Company made a debt prepayment of \$5,000,000 towards the principal amount on its TD Term Credit Facility. This reduced TD Term Loan #5 by the \$5,000,000. Monthly principal payments will remain the same and the loan will now be paid off by December 2031.

On February 8, 2024, the Company made a debt prepayment of \$193,759 towards the principal amount on its BDC loans. This reduced BDC Loan #1 and #2 by \$109,279 and \$84,480, respectively, for a total of \$193,759. Monthly principal payments remained the same and the loans were expected to be paid off December 2026 and January 2038, respectively.

On March 25, 2024, the Company made a debt prepayment of \$1,080,176 towards the outstanding principal amount on its BDC loans. This reduced BDC Loan #1 and #2 by \$615,536 and \$464,640, respectively, for a total of \$1,080,176.

On September 24, 2024, the Company made a debt prepayment of \$2,900,000 towards the principal amount on its TD Term Credit Facility. This reduced TD Term Loan #5 by the \$2,900,000. Monthly principal payments will remain the same and the loan will now be paid off by December 2030.

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

The credit facility with TD Canada Trust contains two financial covenants. A total leverage ratio of less than or equal to 2.75 to 1 which is tested quarterly on a twelve-month rolling basis. The second financial covenant is a fixed charge coverage ratio of greater than or equal to 1.15 to 1 to be tested quarterly on a twelve-month rolling basis. As at September 30, 2024, the Company was in compliance with their covenants.

**12. Share capital**

**a) Authorized**

Unlimited common shares without par value.

**b) Share capital transactions**

On December 1, 2022, the Company renewed the Normal Course Issuer Bid (NCIB) which was effective until December 1, 2023 as the Company did not purchase the maximum permitted number of shares allowed. Pursuant to the NCIB, the Company may have purchased up to 4,732,015 of its outstanding common shares representing approximately 10% of the public float of shares outstanding at market prices as at November 2, 2022.

During the three months ended March 31, 2024, the Company officially cancelled 19,100 shares pursuant to its NCIB for a total of \$21,774. These shares were repurchased prior to the end of the NCIB. The Company's share capital was reduced by the average carrying value of shares repurchased for cancellation.

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

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

---

**12. Share capital (continued)**

**b) Share capital transactions (continued)**

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

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

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

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

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

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

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

**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 September 30, 2024 and December 31, 2023 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price \$
Balance as at December 31, 2022	3,007,500	0.55
Granted	400,000	0.74
Exercised	(303,334)	0.55
Forfeited	(287,500)	0.58
Balance as at December 31, 2023	2,816,666	0.57
Granted	1,393,000	1.30
Exercised	(590,000)	0.36
Forfeited	-	-
<b>Balance as at September 30, 2024</b>	<b>3,619,666</b>	<b>0.88</b>

The total share-based payments recorded during the three and nine months ended September 30, 2024 was \$115,207 and \$181,532 (September 30, 2023 - \$88,274 and \$428,859).



**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**12. Share capital (continued)**

**c) Options (continued)**

The following table summarizes information about the share options outstanding as at September 30, 2024:

<b>Exercise price per share of options outstanding</b>	<b>Number of options outstanding</b>	<b>Weighted average remaining life (years) of options outstanding</b>	<b>Weighted exercise price of options exercisable</b>	<b>Number of options exercisable</b>	<b>Expiry date</b>
\$0.49	100,000	1.26	\$0.49	100,000	January 4, 2026
\$0.29	300,000	1.56	\$0.29	300,000	April 21, 2026
\$0.60	399,166	2.26	\$0.60	399,166	January 4, 2027
\$0.64	200,000	2.55	\$0.64	200,000	April 21, 2027
\$0.60	100,000	3.14	\$0.60	100,000	November 22, 2027
\$0.73	727,500	3.22	\$0.73	727,500	December 20, 2027
\$0.74	400,000	3.26	\$0.74	400,000	January 4, 2028
\$1.30	1,393,000	4.89	\$1.30	-	August 21, 2029
\$0.88	3,619,666	3.53	\$0.63	2,226,666	

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:

<b>Issue date</b>	<b>Expected option life (years)</b>	<b>Risk free interest rate</b>	<b>Dividend yield</b>	<b>Expected volatility</b>	<b>Expected forfeiture rate</b>	<b>Weighted average fair value</b>
January 4, 2021	5.00	0.39%	Nil	127%	24.39%	\$0.42
April 21, 2021	5.00	0.94%	Nil	118%	24.26%	\$0.24
January 4, 2022	5.00	1.39%	Nil	94%	22.85%	\$0.43
April 21, 2022	5.00	2.78%	Nil	67%	22.08%	\$0.37
November 22, 2022	5.00	3.23%	Nil	66%	20.58%	\$0.35
December 20, 2022	5.00	3.05%	Nil	66%	20.42%	\$0.42
January 4, 2023	5.00	3.25%	Nil	66%	20.03%	\$0.43
August 21, 2024	5.00	2.90%	Nil	61%	16.19%	\$0.70

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

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**13. Revenue**

The Company has three distinct revenue streams: trusses, engineered wood products and walls. The Company's revenues by these revenue streams for the three and nine months ended September 30, 2024 and 2023 is as follows:

**Three months ended September 30, 2024**

	Trusses	Engineered wood products	Walls	Total
	\$	\$	\$	\$
<b>Total revenue</b>	10,378,642	4,239,070	1,933,199	16,550,911

**Three months ended September 30, 2023**

	Trusses	Engineered wood products	Walls	Total
	\$	\$	\$	\$
<b>Total revenue</b>	10,616,815	2,872,357	880,374	14,369,546

**Nine months ended September 30, 2024**

	Trusses	Engineered wood products	Walls	Total
	\$	\$	\$	\$
<b>Total revenue</b>	25,147,329	11,399,396	4,212,383	40,759,108

**Nine months ended September 30, 2023**

	Trusses	Engineered wood products	Walls	Total
	\$	\$	\$	\$
<b>Total revenue</b>	26,765,052	7,551,122	900,076	35,216,250

**14. Cost of sales**

Cost of sales for the three and nine months ended September 30, 2024 and 2023 is as follows:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Materials	7,127,197	5,781,061	16,470,609	13,982,087
Labour	3,740,310	2,914,554	9,824,132	7,103,518
Maintenance and overhead	1,066,655	981,943	2,917,360	2,387,873
Depreciation and amortization	532,086	433,687	1,592,299	1,230,403
<b>Total cost of sales</b>	<b>12,466,248</b>	<b>10,111,245</b>	<b>30,804,400</b>	<b>24,703,881</b>

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**15. Related party transactions**

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

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

The Company incurred the following charges as part of the Company's consolidated statement of income and comprehensive income during the three and nine months ended September 30, 2024 and 2023:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Salaries and benefits	216,133	191,211	1,112,283	1,087,049
Administrative and office	35,400	29,500	114,400	95,000
Finance charge on lease obligations <sup>1</sup>	6,128	10,105	21,345	32,938
Share-based compensation	68,186	48,604	107,739	250,972
<b>Total related party transactions</b>	<b>325,847</b>	<b>279,420</b>	<b>1,355,767</b>	<b>1,465,959</b>

**Due from/to related parties**

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

	September 30, 2024	December 31, 2023
	\$	\$
<b>Due from related party</b>		
Accounts receivable and prepaid expenses	-	47
<b>Total due from related party</b>	<b>-</b>	<b>47</b>
<b>Due to related parties</b>		
Accounts payable and accrued liabilities	(35,218)	(10,333)
Lease obligation (Note 10) <sup>1</sup>	(373,910)	(582,065)
<b>Total due to related parties</b>	<b>(409,128)</b>	<b>(592,398)</b>

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

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.

**16. 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 nine months ended September 30, 2024 and 2023, the Company had the following non-cash investing and financing activities:

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**16. Supplemental cash flow information (continued)**

**Three and nine months ended September 30, 2024**

During the three and nine months ended September 30, 2024, the Company had no investing or financing activities identified that did not have a direct impact on the current cash flows.

**Three and nine months ended September 30, 2023**

- A Building lease was renewed under a right-of-use asset for \$3,688,421.
- A Building lease was renewed under a right-of-use asset for \$204,754.

**17. Reconciliation of liabilities arising from financing activities**

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	<b>Long-term debt</b>	<b>Lease obligations</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance December 31, 2023	33,689,544	4,577,023	38,266,567
Repayments	(11,542,326)	(787,293)	(12,329,619)
Issuance	-	104,983	104,983
Non-cash – lease obligation	-	-	-
Non-cash – lease adjustment	-	-	-
<b>Balance September 30, 2024</b>	<b>22,147,218</b>	<b>3,894,713</b>	<b>26,041,931</b>

  

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

**18. Financial instruments**

**Classification of financial instruments**

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

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

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

---

**18. Financial instruments (continued)**

**Market risk**

**a) Foreign exchange risk**

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

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

Profit or loss is sensitive to 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 based on previous sales to the US, this is estimated by management to increase sales by \$47,800 annually. The Company did not sell into the US during 2023 but has previously and anticipates selling into the US during fiscal 2024.

**b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's policy is to minimize interest rate risk exposures on term financing. All leases and exchangeable notes have fixed rates. As at September 30, 2024, the Company is exposed to changes in market interest rates through the bank borrowings at a floating base rate. This risk is low because changes in the prime rate are not substantial and increases would not impact the consolidated financial statements significantly. If the rates were to increase 10% this would result in an increase in interest of approximately \$114,336 over the next quarter.

**Credit risk**

Credit risk is the risk that a counterparty fails to meet its contractual obligation to the Company. The Company is exposed to the risk for various financial instruments through receivables from customers and placing deposits and the potential for cash fraud. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at September 30, 2024 and December 31, 2023 summarized below:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
<b>Classes of financial assets – carrying amounts</b>		
Cash and cash equivalents	16,494,854	14,747,369
Trade accounts receivable, net of loss allowance	8,577,888	6,625,221
	<b>25,072,742</b>	<b>21,372,590</b>

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**18. Financial instruments (continued)**

**Credit risk (continued)**

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

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

The Company has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The receivables and their aging as at September 30, 2024 and December 31, 2023 is summarized below:

	September 30, 2024	December 31, 2023
	\$	\$
<b>Trade accounts receivable, net of loss allowance</b>		
Current	4,944,428	3,063,553
Past due 1 to 30 days	2,335,261	2,028,247
Past due 31 to 60 days	452,067	704,426
Past due over 60 days	846,132	828,995
	<b>8,577,888</b>	<b>6,625,221</b>

The loss allowance as at September 30, 2024 and December 31, 2023 was determined as follows for trade accounts receivable:

**As at September 30, 2024**

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due over 60 days	Total
Expected loss rate	0.00%	0.00%	0.25%	0.26%	0.08%
Trade accounts receivable	4,944,428	2,335,261	453,200	852,081	8,584,970
<b>Loss allowance</b>	-	-	1,133	5,949	7,082

**As at December 31, 2023**

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

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

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

**18. Financial instruments (continued)**

**Liquidity risk**

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

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

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables exceeds the current cash outflow requirements as our current ratio is currently 4.20:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

As at September 30, 2024, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	<b>Current</b>	<b>Current</b>	<b>Non-current</b>	<b>Non-current</b>
	<b>Within 6 months</b>	<b>6 to 12 months</b>	<b>1 to 5 years</b>	<b>Later than 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Lease obligations	680,420	656,279	3,035,843	-
Accounts payable and accrued liabilities	3,395,645	-	-	-
Income taxes payable	-	-	-	-
Long-term debt	2,220,145	2,181,686	19,067,041	5,367,196
<b>Total</b>	<b>6,296,210</b>	<b>2,837,965</b>	<b>22,102,884</b>	<b>5,367,196</b>

As at December 31, 2023, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

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

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

**Atlas Engineered Products Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2024 and 2023**  
*(Unaudited - expressed in Canadian dollars)*

---

**19. Management of capital**

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

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Long-term debt	22,147,218	33,689,544
Lease obligations	3,894,713	4,577,023
Less: Cash and cash equivalents	(16,494,854)	(14,747,369)
Net debt	9,547,077	23,519,198
Total equity	49,157,036	34,429,586
	<b>58,704,113</b>	<b>57,948,784</b>

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

Management reviews its capital management policies on an ongoing basis.