ATLAS ENGINEERED PRODUCTS

Consolidated Annual Financial Statements

For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

Independent auditor's report

To the Shareholders of Atlas Engineered Products Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Atlas Engineered Products Ltd. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 15, 2021

Atlas Engineered Products Ltd.
Consolidated Statements of Financial Position
As at December 31, 2020 and 2019
(Expressed in Canadian dollars)

	Note	December 31, 2020	December 31, 2019
		$	$
Assets			
Current			
Cash		1,816,989	1,553,005
Restricted cash		-	204,400
Accounts receivable	**5, 21, 24**	5,417,112	3,387,982
Inventories	**6**	2,254,280	1,858,930
Prepaid expenditures		159,076	74,948
Deposits		125,586	152,328
		9,773,043	7,231,593
Non-current			
Buildings and equipment	**8**	8,125,915	9,623,015
Intangible assets	**9**	4,574,437	5,150,892
Goodwill	**10**	3,778,476	3,778,476
Deferred tax asset	**11**	840,768	979,001
Total Assets		27,092,639	26,762,977
Liabilities			
Current			
Bank indebtedness	**12**	-	1,470,000
Accounts payable and accrued liabilities	**13, 21**	3,055,067	3,157,818
Customer deposits		148,516	94,549
Income taxes payable	**11**	147,489	240,326
Lease obligations – current portion	**15**	877,228	1,174,485
Long-term debt – current portion	**16**	1,044,734	6,182,748
		5,273,034	12,319,926
Non-current			
Intangible liability	**14**	100,325	134,729
Lease obligations	**15**	1,349,896	2,213,991
Long-term debt	**16**	5,954,899	2,092,851
Deferred tax liability	**11**	1,484,204	1,779,859
		14,162,358	18,541,356
Shareholders' Equity			
Share capital	**17**	19,230,222	14,836,346
Contributed surplus	**17**	1,432,545	1,346,747
Deficiency		(7,732,486)	(7,961,472)
		12,930,281	8,221,621
Total Liabilities and Shareholders' Equity		27,092,639	26,762,977

Subsequent events – Note 26

APPROVED BY THE DIRECTORS ON APRIL 15, 2021

DON HUBBARD Director ***KEVIN SMITH*** Director

Atlas Engineered Products Ltd.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	Note	December 31, 2020	December 31, 2019
		$	$
Revenue	**18**	35,734,415	34,763,527
Cost of sales	**19**	(28,437,395)	(26,303,594)
Gross profit		7,297,020	8,459,933
Operating expenses			
Administrative and office	**21**	1,938,936	2,249,119
Depreciation	**8, 9, 14**	1,431,297	1,482,311
Bad debt expense		13,077	35,452
Management fees	**21**	267,400	289,200
Professional fees		432,300	489,203
Salaries and benefits	**21**	2,646,994	2,908,936
Share-based payments	**17(c), 21**	85,798	341,319
Operating income		481,218	664,393
Other income	**20**	609,497	22,488
Interest expense		(437,018)	(577,314)
Finance charge on leases	**15, 21**	(185,875)	(250,255)
Foreign exchange gain (loss)		6,440	(51,594)
(Loss) gain on disposal of assets		(128,969)	1,979
Goodwill impairment	**10**	-	(90,773)
Loss on investment		-	(263,469)
Income (loss) before income tax		345,293	(544,545)
Income taxes			
Current income tax expense		(215,153)	(199,725)
Deferred income tax recovery (expense)		98,846	(10,877)
		(116,307)	(210,602)
Net income (loss) and comprehensive income (loss) for the year		228,986	(755,147)
Income (loss) per share			
Basic and diluted		0.00	(0.02)
Weighted average number of shares outstanding			
Basic and diluted		56,528,593	45,883,784

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

Atlas Engineered Products Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	December 31, 2020	December 31, 2019
	$	$
Operating activities		
Net income (loss) for the year	228,986	(755,147)
Depreciation	2,779,655	2,684,486
Unrealized foreign exchange (gain) loss	(42,354)	26,203
Deferred tax (recovery) expense	(98,845)	10,877
Loss (gain) on disposal of assets	128,969	(1,979)
Share-based payments	85,798	341,319
Goodwill impairment	-	90,773
Loss on investment	-	263,469
Changes in non-cash working capital items:		
Accounts receivable	(1,986,776)	1,035,191
Inventories	(328,781)	440,295
Prepaid expenditures	(84,128)	28,736
Deposits	26,742	(152,328)
Accounts payable and accrued liabilities	(102,751)	(1,090,224)
Customer deposits	53,967	(1,113)
Corporate income taxes payable	(92,837)	(103,415)
Cash provided by operations	567,645	2,817,143
Investing activities		
Acquisition of equipment	(342,842)	(1,232,325)
Proceeds from disposition of equipment	36,428	2,000
Novum acquisition (Note 3)	(428,819)	-
SC acquisition net of cash acquired (Note 4)	-	(3,086,780)
Pacer acquisition net of cash acquired	-	110,652
Cash used in investing activities	(735,233)	(4,206,453)
Financing activities		
Repayment of principal lease obligations	(1,362,161)	(1,104,096)
Issuance of principal lease obligations	-	408,576
Repayment of long-term debt (Note 16)	(6,314,005)	(1,704,293)
Proceeds from long-term debt (Note 16)	5,038,039	2,451,150
Repayment of bank indebtedness	(1,470,000)	-
Proceeds from bank indebtedness	-	1,470,000
Shares issued for cash (Note 17b)	4,597,253	-
Cash share issue costs (Note 17b)	(261,954)	-
Proceeds from loan receivable	-	26,616
Proceeds from stock option exercise	-	5,000
Cash provided by financing activities	227,172	1,552,953
Increase in cash	59,584	163,643
Cash - beginning of year	1,757,405	1,593,762
Cash - end of year	1,816,989	1,757,405
Cash paid during the year for:		
Interest	622,894	827,569
Income taxes	322,614	360,000

Supplemental cash flow information – Note 22

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

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

	Number of Common Shares	Share Capital	Contributed Surplus	Deficiency	Total
	(Note 17)	(Note 17)	(Note 17)		
		$	$	$	$
Balance, December 31, 2018	**44,990,930**	**14,341,346**	**1,005,428**	**(7,206,325)**	**8,140,449**
Shares issued on acquisitions (Note 4)	1,225,000	490,000	-	-	490,000
Stock options exercised	16,666	5,000	-	-	5,000
Share-based payments	-	-	341,319	-	341,319
Net loss for the year	-	-	-	(755,147)	(755,147)
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 17b)	11,493,134	4,597,253	-	-	4,597,253
Less: cash share issue costs (Note 17b)	-	(203,377)	-	-	(203,377)
Share-based payments	-	-	85,798	-	85,798
Net income for the year	-	-	-	228,986	228,986
Balance, December 31, 2020	**57,725,730**	**19,230,222**	**1,432,545**	**(7,732,486)**	**12,930,281**

The accompanying notes are an integral part of these 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, wall panels, and supplier of engineered wood products. Atlas operates manufacturing and distribution facilities in British Columbia, Manitoba, and Ontario 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. 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 year ended December 31, 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 impact to date has been minimal compared to other industries; however there may be a material impact on the Company's financial position, results of operations, cash flows, and ability to obtain financing in future periods depending on the progress of the pandemic and any future potential lockdowns. In particular, there may be an increased risk of future goodwill and intangible asset impairments. As at April 15, 2021, 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 April 15, 2021.

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 six subsidiaries, all located in Canada, Clinton Building Components Ltd. ("Clinton"), Satellite Building Components Ltd. ("Satellite"), Atlas Building Systems Ltd. ("ABS") (formally Coastal Windows Ltd.), Pacer Building Components Ltd. ("Pacer"), South Central Building Systems Ltd. ("SC"), and Novum Building Components Ltd. ("Novum"). 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.

Business combinations

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

Under the guidance of IFRS 10 Consolidated Financial Statements, control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquirer's returns. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date. During the year ended December 31, 2020, the Company's acquisition of Novum (Note 3) was recorded as a business combination.

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

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

2. Significant Accounting Policies (continued)

Business combinations (continued)

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

Use of estimates and judgements

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

Management estimates

a) Collectability of accounts receivable

In determining the collectability of a trade or other receivable, the Company considers all available information in assessing the risk or probability of a credit loss occurring over the contractual period of the receivable, even if the probability is low.

b) Inventory valuation

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

c) Impairment of long-lived assets

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

d) Income taxes

Management estimates income taxes based on current tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

2. Significant Accounting Policies (continued)

Management estimates (continued)

e) Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

Cash

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

Inventories

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

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

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

Buildings and equipment

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

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

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

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

2. Significant Accounting Policies (continued)

Buildings and equipment (continued)

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

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

Government assistance

The Company recognizes government assistance only when there is reasonable assurance that the entity will comply with any conditions attached to the funding and the funding will be received.

Non-repayable government assistance receivable as compensation for current costs already incurred or for immediate financial support, with no future related costs is recognised as income in the period in which it is receivable. The government assistance may be reported separately as 'other income' or deducted from the related expense.

The non-repayable government assistance received was recognised as ‘other income’ over the period necessary to match the payments to the related costs, for which they are intended to compensate, on a systematic basis.

Impairment of non-financial assets

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

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

The recoverable amount is the higher of the fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable by geographic location. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset.

Fair value less cost of disposal is the amount that would be received from selling an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal.

2. Significant Accounting Policies (continued)

Goodwill and intangible assets and liability

Goodwill is not amortized; instead it is evaluated for impairment annually with October 31 as the assessment date and carried at cost less any accumulated impairment losses. The Company will evaluate goodwill more frequently if events or changes in circumstances indicate a potential impairment.

Definite-lived intangible assets are stated at cost less amortization and are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Definite-lived intangible assets include customer relationships, brand, certification, and non-compete agreements for Clinton, Satellite, Pacer, AB, SC, and Novum. Definite-lived intangible liabilities include an over market lease for Pacer. The customer relationships, brand, and certification are being amortized using the straight-line method over the estimated useful life of ten years. The non-compete agreements and over market lease are being amortized over the life of the agreements at five years.

Revenue

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

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

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

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

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

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

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

2. Significant Accounting Policies (continued)

Revenue (continued)

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

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

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

Leases and right-of-use assets

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

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

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

Income tax

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

2. Significant Accounting Policies (continued)

Income tax (continued)

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

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

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

Earnings per share

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

Impairment of financial assets

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

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

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

2. Significant Accounting Policies (continued)

Share-based payments

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

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

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

Financial instruments

a) Recognition

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

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

b) Classification and measurement

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

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

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

2. Significant Accounting Policies (continued)

Financial instruments (continued)

b) Classification and measurement (continued)

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

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

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

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

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

c) Impairment

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

Accounting Standards Adopted

a) IAS 1 and IAS 8 Amendments – Definition of Material

The IASB issued amendments to IAS 1 – *Presentation of financial statements* and IAS 8 – *Accounting policies, changes in accounting estimates and errors* to revise the definition of material to be more clear, consistent, and provide further guidance regarding immaterial information. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Company adopted these amendments at January 1, 2020. The implementation of these amendments did not have a significant impact on the Company.

2. Significant Accounting Policies (continued)

Accounting Standards Adopted (continued)

b) IFRS 3 Amendment – Business Combinations

In October 2018, the IASB issued amendments to IFRS 3 Business Combinations. The amendments narrowed and clarified the definition of a business. The amendments will help companies determine whether an acquisition is a business or a group of assets. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business. This amendment will be effective for annual periods beginning on or after January 1, 2020. The Company adopted this amendment at January 1, 2020. The Company has determined that the amendments to IFRS 3 may have an impact on future Consolidated Financial Statements depending on an assessment of each business combination that may occur. All current acquisitions would still be treated as a business combination.

Accounting Standards Issued Not Yet Effective

The International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform — Phase 2. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The changes in Interest Rate Benchmark Reform — Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. The implementation of this amendment is not expected to have a significant impact on the Company.

3. Acquisition of assets of Trusstem Industries Inc.

On July 20th, 2020, the Company completed an acquisition of assets from Trusstem Industries Inc. (“Trusstem”) for $428,819 consisting of $187,250 in cash on day of closing, $66,569 in cash thirty days after inventory verification, and $175,000 in cash in equal monthly instalments for a term of three years at 3% interest commencing on September 1, 2020. In December of 2020, the Company entered in to a term loan with TD Canada Trust (Note 16) and part of those proceeds were used to pay out the remaining balance owed to Trusstem.

The Company acquired the building lease, equipment, and inventory through its wholly owned subsidiary, Novum Building Components Ltd. (“Novum”). Novum commenced operations 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.

(Expressed in Canadian dollars)

3. Acquisition of assets of Trusstem Industries Inc. (continued)

In accordance with IFRS 3, the Novum acquisition will be accounted for as a business combination. The allocation of the fair values of assets and liabilities was calculated as follows:

Category	**$**
Cash	428,819
Total consideration	**428,819**
Inventory	66,569
Buildings and equipment	388,059
Customer relationships	175,000
Lease obligation	(200,809)
	428,819

The above allocation of the fair values of assets and liabilities calculations have been finalized.

The following table shows the results of the operations of Novum since the acquisition date.

	Novum July 20, 2020 – December 31, 2020
	$
Sales per consolidated financial statements	356,374
Loss before tax	(192,771)
Income tax recovery	(48,193)
Loss	(144,578)

4. 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 working capital excess 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 were determined at time of negotiation and approved in the 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 16).

(Expressed in Canadian dollars)

4. 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 was calculated 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
Buildings 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 not audited. 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 – Dec 31, 2020	SC Mar 1 – Dec 31, 2019
	$	$
Sales per consolidated financial statements	3,962,602	2,825,332
Loss before tax	(355,133)	(303,838)
Income tax recovery	(95,885)	(81,758)
Loss	(259,248)	(222,080)

5. Accounts receivable

Trade and other receivables were as follows:

	December 31, 2020	December 31, 2019
	$	$
Trade accounts receivable	5,063,346	3,334,500
Other receivables	356,610	58,925
Loss allowance	(2,844)	(5,443)
	5,417,112	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 year ended December 31, 2020, the estimated credit loss amounted to $2,844 (December 31, 2019 - $5,443).

(Expressed in Canadian dollars)

6. Inventories

	December 31, 2020	December 31, 2019
	$	$
Raw materials	1,772,506	1,376,642
Work in progress	106,283	116,802
Finished goods	375,491	365,486
	2,254,280	1,858,930

During the year ended December 31, 2020, $17,240,325 (December 31, 2019 - $14,492,681) 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 year ended December 31, 2020.

7. Loan receivable

During the year ended December 31, 2020, the Company received $9,993 in interest payments plus monthly post-dated cheques for mostly interest only of $1,110 starting April 2020 and ending August 2020. The Company is still attempting to collect funds and any potential future payments obtained will be included as income in subsequent periods.

During the year ended December 31, 2019, the Company wrote off this loan receivable due to the lack of principal payments and the economic situation subsequent to the year end that has made it unlikely payments will be received.

(Expressed in Canadian dollars)

8. Buildings and equipment

	Land and Buildings	Office Furniture and Equipment	Vehicles	Production Equipment	Computer Equipment and Software	Signage and Land Improvement	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	265,212	7,682	185,076	12,646	42,675	30,360	543,651
Additions through business combination	-	2,140	20,116	164,994	-	-	187,250
Related party transfers	-	-	(220,440)	(24,303)	-	-	(244,743)
Disposals	-	-	(77,500)	(12,000)	-	-	(89,500)
Balance, December 31, 2020	6,666,828	219,604	3,026,907	4,718,546	308,411	231,971	15,172,267
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	951,189	19,900	591,259	582,241	21,177	6,897	2,172,663
Related party transfers	-	-	(220,440)	(24,303)	-	-	(244,743)
Disposals	-	-	(29,997)	(4,165)	-	-	(34,162)
Balance, December 31, 2020	2,620,349	135,094	1,634,487	2,280,680	237,663	138,079	7,046,352
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 December 31, 2020	4,046,479	84,510	1,392,420	2,437,866	70,748	93,892	8,125,915

Depreciation for tangible assets during the year ended December 31, 2020 was $2,172,663 (December 31, 2019 - $2,097,754). During the year ended December 31, 2020, $1,348,358 (December 31, 2019 - $1,208,274) of the depreciation was included in cost of sales.

(Expressed in Canadian dollars)

8. Buildings and equipment (continued)

The above buildings and equipment schedule includes right-of-use assets. The following summarizes those right-of-use assets and their depreciation for the years ended December 31, 2020 and 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, net	-	-	-	-	-
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	200,809	-	-	-	200,809
Disposals, net	-	-	(204,288)	-	(204,288)
Depreciation charge for the year	(856,890)	-	(300,441)	-	(1,157,331)
Balance, December 31, 2020	1,778,141	-	417,302	-	2,195,443

9. 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	175,000	-	-	-	175,000
Impairment			(142,000)		(142,000)
Balance, December 31, 2020	4,214,000	1,206,000	-	477,000	5,897,000
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	411,188	120,612	14,196	95,400	641,396
Impairment	-	-	(31,941)	-	(31,941)
Balance, December 31, 2020	874,690	250,792	-	197,081	1,322,563
Carrying amount at December 31, 2019	3,575,498	1,075,820	124,255	375,319	5,150,892
Carrying amount at December 31, 2020	3,339,310	955,208	-	279,919	4,574,437

As at December 31, 2020, the Company has started to shift operations from windows to wall panel manufacturing which does not require certifications and there is no sale value to the certifications. As a result, the intangible asset was considered to be impaired and written off and included in (loss) gain on disposal of assets. The Company has determined that there was no impairment to the remaining intangible assets.

(Expressed in Canadian dollars)

10. Goodwill

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

	Clinton	Satellite	Atlas Building	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, December 31, 2020	474,428	136,446	-	2,284,327	883,275	3,778,476

The value-in-use impairment tests performed were based in the Company's internal forecasts and represent management's best estimates at a specific point in time, and as a result are subject to measurement uncertainty. In arriving at its estimated future cash flows, the Company considered past experience, economic trends and industry trends. The key assumptions used in the impairment tests include a projected revenue growth rate of 5% each of the first five years and an applied perpetual long-term growth rate of 2% thereafter, with gross margins ranging from 27% to 37%. A discount rate of between 21.5%-25% and 11.8%-15.3% has been applied to the expected cash flow, after adjusting the cash flow for an estimate of the taxes and capital maintenance expenditures.

The most sensitive inputs to the value-in-use models are the revenue growth rates, gross margin, and discount rates. The sensitivities to those inputs, with respect to the December 31, 2020 impairment tests, were as follows: all else being equal, a 4% decrease in the gross margin would have led to breakeven scenario for South Central and Pacer. A reasonable change in the revenue growth rates and discount rates did not result in an impairment for any of the CGUs. There was no material impact of the sensitivity analyses on the recoverable amounts of the Company's other CGUs.

11. Income taxes

The tax expense differs from the theoretical amount that would arise using the tax rate applicable to profits of the Company for the year ended December 31, 2020 and 2019 as follows:

	December 31, 2020	December 31, 2019
	$	$
Income (loss) for the year before income tax	345,293	(544,545)
Average statutory rate	27.00%	27.00%
Estimated income tax payable (recovery)	93,229	(147,027)
Difference in tax rates	1,165	54,570
Items not deductible for tax purposes	26,662	133,687
Change in estimate	(4,749)	133,804
Recognition of previously unrecognized tax benefits	-	35,568
Income tax expense	116,307	210,602

(Expressed in Canadian dollars)

11. Income taxes (continued)

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

	December 31, 2020	December 31, 2019
	$	$
Current income tax expense	215,153	199,725
Deferred tax (recovery) expense	(98,846)	10,877
Total income tax expense	116,307	210,602

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

	December 31, 2020	December 31, 2019
	$	$
Deferred tax assets		
Lease obligations	534,221	926,838
Capital loss carry forwards	87,419	87,419
Non-capital loss carry forwards	1,143,385	1,205,511
Building and Equipment	9,559	-
Intangibles	907	-
Share issue costs	101,516	83,641
	1,877,007	2,303,409
Offset against deferred tax liabilities	(948,821)	(1,236,989)
Unrecognized deferred tax assets	(87,419)	(87,419)
Deferred tax assets	840,768	979,001
Deferred tax liabilities		
Buildings and equipment	(1,318,176)	(1,716,781)
Brand and customer relationships	(1,114,849)	(1,300,067)
Offset against deferred tax assets	948,821	1,236,989
Deferred tax liabilities	(1,484,204)	(1,779,859)
Net deferred tax balance	(643,436)	(800,858)

The Company has non-capital losses of approximately $4,125,826 at December 31, 2020, which are available to be carried forward and can be used to offset future taxable income. These non-capital losses expire as follows:

Expiry Date	Amount
	$
December 31, 2035	127,270
December 31, 2036	-
December 31, 2037	-
December 31, 2038	2,414,228
December 31, 2039	893,100
December 31, 2040	691,228
	4,125,826

(Expressed in Canadian dollars)

12. Bank Indebtedness

	December 31, 2020	December 31, 2019
	$	$
Operating line	-	1,470,000

During the year ended December 31, 2020, the Company signed a new financing agreement with a major Canadian bank. The Company now has access to an operating line of credit available for up to $2 million with no set terms of repayment. The interest rate on this operating line of credit is 3.45%. 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.

13. Accounts payable and accrued liabilities

	December 31, 2020	December 31, 2019
	$	$
Trade accounts payable	1,938,610	1,711,022
Sales taxes payable	193,312	220,686
Salaries and vacation payable	490,840	309,924
Other accounts payable	129,512	65,621
Accrued liabilities	302,793	850,565
	3,055,067	3,157,818

14. 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, December 31, 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	34,404	34,404
Balance, December 31, 2020	71,675	71,675
Carrying amount at December 31, 2019	134,729	134,729
Carrying amount at December 31, 2020	100,325	100,325

Depreciation for intangible liability during the year ended December 31, 2020 was $34,404 (December 31, 2019 - $34,404).

As at December 31, 2020, the Company determined that there was no adjustment required due to a change in circumstances of the intangible liability.

(Expressed in Canadian dollars)

15. Lease obligations

Certain of the Company's buildings and equipment are held as right-of-use assets under lease obligations. The terms and the outstanding balances of the lease obligations as at December 31, 2020 and 2019 are as follows:

	December 31, 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 21).	21,888	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.	44,149	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.	1,655,286	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 October 2021.	46,509	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.	79,889	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.	51,413	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.	126,892	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.	29,142	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. [1]	-	305,365
Building under right-of-use asset lease repayable in monthly instalments of $6,000 inclusive of implied interest of 5.20% per annum, residual value of $nil, maturing in July 2023.	171,956	-
Total lease obligation	2,227,124	3,388,476
Current portion	(877,228)	(1,174,485)
Non-current portion	1,349,896	2,213,991

[1] This lease was paid out with excess cash during the refinancing completed with TD (Note 16).

(Expressed in Canadian dollars)

15. Lease obligations (continued)

The following is a schedule of the total lease payments made during the years ended December 31, 2020 and 2019:

	December 31, 2020	**December 31, 2019**
	$	**$**
Principal payment	1,362,161	1,104,096
Interest expense	185,875	250,255
Total lease payments	1,548,036	1,354,351

During the year ended December 31, 2020, a building was acquired under a right-of-use asset lease for $200,809 (December 31, 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:

	December 31, 2020
	$
2021	1,011,468
2022	816,922
2023	603,168
Total minimum lease payments	2,431,558
Less: imputed interest	(204,434)
Total present value of minimum lease payments	2,227,124

During the year ended December 31, 2020, the Company entered into a low value lease for multiple office equipment items for $15,816 (December 31, 2019 – no short-term or low-value leases were entered into).

(Expressed in Canadian dollars)

16. Long-term debt

The long-term debt consists of the following:

	December 31, 2020	**December 31, 2019**
	$	**$**
BDC loan[1]	869,778	892,000
BDC loan[2]	1,098,240	1,183,300
Scotiabank assumed loan[3]	33,249	42,981
Saw financing[4]	198,366	323,649
TD term loan[5]	4,800,000	-
RBC loan[6]	-	947,976
RBC loan[7]	-	4,187,534
RBC Leaseback[8]	-	493,087
RBC assumed loan[9]	-	205,072
	6,999,633	8,275,599
Less current portion of term debt	(1,044,734)	(6,182,748)
Total long-term portion of term debt	5,954,899	2,092,851

1. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at December 31, 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.
2. A term loan with a major Canadian bank bearing interest at a floating base rate (7.64% as at December 31, 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.
3. A financing loan with a major Canadian bank bearing interest at 0.00% as at December 31, 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.
4. An equipment financing with a major equipment supplier, Mitek Canada Inc. bearing interest at 0.00% as at December 31, 2020 and repayable at principal of $10,440 plus tax per month. The loan is secured by a specific piece of equipment.
5. A term loan with a major Canadian bank bearing interest at a floating base rate (3.45% as at December 31, 2020) repayable at $57,142.86 per month plus interest. The loan is amortized over 84 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
6. Mortgages with a major Canadian bank bearing interest at 3.45% - 5.05% and repayable between approximately $3,510 to $3,688 per month. The loan was secured by a general security interest granted by the Company, with a security on the land and building of Clinton and Satellite. These mortgages were paid out by the TD term loan and cash in December of 2020.
7. A term loan with a major Canadian bank bearing interest at a floating base rate (6.7% as at December 31, 2019) repayable at principal of $144,398 plus interest per month from June to December and interest only payments from January to May. The loan was secured by a general security interest granted by the Company, with a security on various equipment of the Company. The term loan was paid out by the TD term loan and cash in December of 2020.
8. Leasebacks with a major Canadian bank bearing interest at an implied rate of 4.6%-4.7% repayable in instalments of between $4,965 and $13,262 per month over a 48-month term. The leasebacks were secured by the equipment of Satellite and Truebeam.
9. Term loans with a major Canadian bank bearing interest at a floating base rate of 2.8% and repayable between $561 to $2,027 per month. The loans were assumed on the acquisition of Pacer and secured by specific pieces of equipment. These loans were paid out by the TD term loan and cash in December of 2020.

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 6 of the Company's debt obligations had consistent payments and a change in the interest rate would affect the principal payment portion as the overall payment was 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.

(Expressed in Canadian dollars)

16. Long-term debt (continued)

During December 2020, The Company signed a new credit facility agreement with TD Canada Trust. The new agreement has three facilities. The first facility was an operating line of credit (Note 12) and the second facility is a committed revolving facility of which the Company has not used any funds. The third facility is a committed reducing term facility used to pay off other debt obligations. Excess funds were also used to pay off additional debt and lease facilities during this refinancing. The refinancing resulted in payout penalties of $39,563 which is recognized in net income (loss) and comprehensive income (loss) in the year ended December 31, 2020.

The credit facility with TD Canada Trust contains two financial covenants. The first financial covenant is a total leverage ratio of less than or equal to 3.00 to 1 which is tested quarterly on a twelve-month rolling basis. This total leverage ratio steps down to less than or equal to 2.75 to 1 on December 31, 2021 and 2.50 to 1 on December 31, 2022. The second financial covenant is a fixed charge coverage ratio of greater than or equal to 1.15 to 1 to be tested quarterly on a twelve-month rolling basis. As at December 31, 2020, the Company was in compliance with their covenants.

17. 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.

c) Options

The Company adopted a share option plan that allows for the issuance of up to 10% of the issued and outstanding shares as incentive share options to directors, officers, employees and consultants to the Company. Share options granted under the plan may be subject to vesting provisions as determined by the Board of Directors. Standard vesting provisions are in thirds every six months from the date of grant. The options are priced using the trading price at the end of the close on the date of the grant and they are exercisable within five years from the date of grant.

The Company's share options outstanding as at December 31, 2020 and December 31, 2019 and the changes for the years 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	(150,000)	0.42
Balance as at December 31, 2020	2,935,000	0.44

The total share-based payments recorded during the year ended December 31, 2020 was $85,798 (December 31, 2019 - $341,319).

(Expressed in Canadian dollars)

17. Share capital (continued)

c) Options (continued)

The following table summarizes information about the share options outstanding as at December 31, 2020:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years) of options outstanding	Weighted exercise price of options exercisable	Number of options exercisable	Expiry date
$0.49	1,200,000	1.85	$0.49	1,200,000	November 8, 2022
$0.60	450,000	2.10	$0.60	450,000	February 5, 2023
$0.53	145,000	2.14	$0.53	145,000	February 21, 2023
$0.30	1,140,000	3.14	$0.30	1,140,000	March 3, 2024
$0.44	2,935,000	2.42	$0.44	2,935,000	

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

Issue date	Expected option life (years)	Risk free interest rate	Dividend yield	Expected volatility	Expected forfeiture rate	Weighted average fair value
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
March 4, 2019	5.00	1.80%	Nil	165%	25.45%	$0.28

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.

d) Warrants

On February 6, 2020, the Company closed 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 and expire two years after they were issued. The warrants issued on October 31, 2018 and December 3, 2018 had an initial expiry term of two years after they were issued, but the TSXV has approved a one year extension to this term. Their updated expiry dates are now October 31, 2021 and December 3, 2021.

(Expressed in Canadian dollars)

17. Share capital (continued)

d) Warrants (continued)

The Company's warrants outstanding as at December 31, 2020 and 2019 and the changes for the years 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 December 31, 2020	17,313,019	0.60

The total warrant reserve recorded for the years ended December 31, 2020 was $Nil (December 31, 2019: $Nil).

18. Revenue

The Company has four distinct revenue streams: trusses, engineered wood products, windows, and walls. The Company's revenues by these revenue streams for the years ended December 31, 2020 and 2019 is as follows.

Year ended December 31, 2020

	Trusses	Engineered wood products	Windows	Walls	Total
	$	$	$		$
Total revenue	27,555,261	6,720,750	1,273,746	184,658	35,734,415

Year ended December 31, 2019

	Trusses	Engineered wood products	Windows	Walls	Total
	$	$	$		$
Total revenue	27,690,431	5,773,973	1,299,123	-	34,763,527

(Expressed in Canadian dollars)

19. Cost of sales

Cost of sales for the years ended December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
	$	$
Materials	17,307,811	14,608,725
Labour	7,879,036	8,384,872
Maintenance and overhead	1,902,190	2,101,723
Amortization	1,348,358	1,208,274
Total cost of sales	28,437,395	26,303,594

20. Other income

Other income for the years ended December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
	$	$
Interest earned and other	19,429	17,736
Sales tax commissions	5,702	4,752
Canada emergency wage subsidy	584,366	-
Total other income	609,497	22,488

The Canada Emergency Wage Subsidy (CEWS) program was established by the Government of Canada to reimburse eligible employers who have experienced a required reduction in revenue for a portion of employee wage costs during the pandemic. For the year ended December 31, 2020, the Company assessed and recognized claims under the CEWS program of $584,366. The CEWS receipts have been recognized in other income within the Company's consolidated statement of net income (loss) and comprehensive income (loss). All funds have been received by the year ended December 31, 2020.

21. 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, and Novum.

(Expressed in Canadian dollars)

21. Related party transactions (continued)

The Company incurred the following charges as part of the Company's consolidated statement of income (loss) and comprehensive income (loss) during the years ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
	$	$
Salaries and benefits	1,286,833	748,697
Management fees	267,400	289,200
Administrative and office	109,500	-
Finance charge on lease obligations[1]	9,727	24,525
Share-based payments	80,834	295,664
Total related party transactions	1,754,294	1,358,086

Due from/to related parties

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

	December 31, 2020	December 31, 2019
	$	$
Due from related party		
Accounts receivable	36,391	95,787
Total due from related party	36,391	95,787
Due to related parties		
Accounts payable and accrued liabilities	(115,066)	(424,331)
Lease obligation (Note 15)[1]	(21,888)	(276,161)
Total due to related parties	(136,954)	(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.

22. Supplemental cash flow information

Investing and financing activities that do not have a direct impact on the current cash flows are excluded from the cash flow statements. During the years ended December 31, 2020 and 2019, the Company had the following non-cash investing and financing activities:

Year ended December 31, 2020

During the year ended December 31, 2020, $200,809 of lease obligations have been capitalized to land and buildings.

Year ended December 31, 2019

During the year ended December 31, 2019, the Company had no investing or financing activities identified that did not have a direct impact on the current cash flows.

23. 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	(6,314,005)	(1,362,161)	(7,676,166)
Issuance	5,038,039	-	5,038,039
Non-cash – lease obligation	-	200,809	200,809
Balance December 31, 2020	6,999,633	2,227,124	9,226,757

	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

24. 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 approximates 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 its carrying value.

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.

(Expressed in Canadian dollars)

24. Financial instruments (continued)

Market risk (continued)

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 $47,800 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 December 31, 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 $28,453 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 years ended December 31, 2020 and 2019 summarized below:

	December 31, 2020	December 31, 2019
	$	$
Classes of financial assets – carrying amounts		
Cash	1,816,989	1,553,005
Trade accounts receivable, net of loss allowance	5,060,502	3,329,057
	6,877,491	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 an aging account receivable report weekly to monitor any progress.

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

The Company has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The receivables and their aging as at December 31, 2020 and December 31, 2019 is summarized below:

(Expressed in Canadian dollars)

24. Financial instruments (continued)

Credit risk (continued)

	December 31, 2020	December 31, 2019
	$	$
Trade accounts receivable, net of loss allowance		
Current	3,149,790	2,213,996
Past due 1 to 30 days	1,347,546	743,149
Past due 31 to 60 days	283,509	239,811
Past due over 60 days	279,657	132,101
	5,060,502	3,329,057

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

As at December 31, 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%	0.76%	0.06%
Trade accounts receivable	3,149,790	1,347,546	284,220	281,790	5,063,346
Loss allowance	-	-	711	2,133	2,844

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 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 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 1.85:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

(Expressed in Canadian dollars)

24. Financial instruments (continued)

Liquidity risk (continued)

As at December 31, 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	553,017	458,451	1,420,091	-
Accounts payable and accrued liabilities	3,055,067	-	-	-
Income taxes payable	147,489	-	-	-
Long-term debt	663,932	654,895	5,426,848	1,636,661
Total	4,419,505	1,113,346	6,846,939	1,636,661

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.

25. Management of capital

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

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

	December 31, 2020	December 31, 2019
	$	**$**
Long-term debt	6,999,633	8,275,599
Lease obligations	2,227,124	3,388,476
Less: Cash and cash equivalents	(1,816,989)	(1,553,005)
Net debt	7,409,768	10,111,070
Total equity	12,930,281	8,221,621
	20,340,049	18,332,691

25. Management of capital (continued)

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.

26. Subsequent events

a) Options

As of January 4, 2021, the Company granted 100,000 options that can be exercised at $0.49 per common share. These options follow the share purchase plan of the Company. The fair value estimation of these options is $77,829 after taking into account a forfeiture rate of 24.38% based on actual forfeiture history.

b) Asset purchase

January 2021, the Company made a significant asset purchase that included a large amount of shop equipment, trailers, forklifts, and office equipment. These assets were purchased for $958,160 plus taxes. These assets will be installed at Novum and ABS during 2021 and enable the Company to increase its production capacity and efficiencies.