AEP

ATLAS ENGINEERED PRODUCTS

Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Atlas Engineered Products Ltd.

Condensed Interim Consolidated Statements of Financial Position

For the periods ended March 31, 2020 and December 31, 2019

(Unaudited - expressed in Canadian dollars)

	Note	March 31, 2020	December 31, 2019
		$	$
Assets			
Current			
Cash		3,244,684	1,553,005
Restricted cash		-	204,400
Accounts receivable	**4, 17, 20**	3,425,633	3,387,982
Inventories	**5**	1,910,797	1,858,930
Prepaid expenditures		130,765	74,948
Deposits		62,814	152,328
Income taxes receivable		196,180	-
		8,970,873	7,231,593
Non-current			
Buildings and equipment	**6**	9,172,586	9,623,015
Intangible assets	**7**	4,992,366	5,150,892
Goodwill	**8**	3,778,476	3,778,476
Deferred tax asset		1,067,091	979,001
Total Assets		27,981,392	26,762,977
Liabilities			
Current			
Bank indebtedness	**9**	-	1,470,000
Accounts payable and accrued liabilities	**10, 17**	2,985,608	3,157,818
Customer deposits		167,470	94,549
Income taxes payable		-	240,326
Lease obligations – current portion	**12**	1,134,797	1,174,485
Long-term debt – current portion	**13**	1,592,507	6,182,748
		5,880,382	12,319,926
Non-current			
Intangible liability	**11**	126,128	134,729
Lease obligations	**12**	1,978,041	2,213,991
Long-term debt	**13**	6,509,975	2,092,851
Deferred tax liability		1,590,052	1,779,859
		16,084,578	18,541,356
Shareholders' Equity			
Share capital	**14**	19,230,222	14,836,346
Contributed surplus	**14**	1,391,025	1,346,747
Deficiency		(8,724,433)	(7,961,472)
		11,896,814	8,221,621
Total Liabilities and Shareholders' Equity		27,981,392	26,762,977

Subsequent events – Note 22

APPROVED BY THE DIRECTORS ON JUNE 30, 2020

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

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

Atlas Engineered Products Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three months ended March 31, 2020 and 2019

(Unaudited - expressed in Canadian dollars)

	Note	March 31, 2020	March 31, 2019
		$	$
Revenue	**15**	7,097,979	6,216,908
Cost of sales	**16**	(5,985,305)	(5,056,491)
Gross profit		1,112,674	1,160,417
Operating expenses			
Administrative and office		679,466	443,715
Depreciation	**6, 7, 11**	345,027	319,314
Bad debt expense (recovery)	**4**	2,207	(8,353)
Management fees	**17**	72,000	73,200
Professional fees		125,682	199,717
Salaries and benefits	**17**	710,098	525,777
Share-based payments	**14(c), 17**	44,278	85,968
Operating loss		(866,084)	(478,921)
Interest earned		5,508	104,421
Interest expense and other		(118,221)	(109,757)
Finance charge on leases	**12, 17**	(50,400)	(69,922)
Foreign exchange gain (loss)		20,127	(11,262)
Gain on disposal of equipment		2,592	-
Loss before income tax		(1,006,478)	(565,441)
Income taxes			
Current income tax (recovery) expense		24,197	(55,255)
Deferred income tax recovery		219,320	181,059
		243,517	125,804
Net loss and comprehensive loss for the period		(762,961)	(439,637)
Loss per share			
Basic and diluted		(0.01)	(0.01)
Weighted average number of shares outstanding			
Basic and diluted		52,910,873	45,324,263

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

Atlas Engineered Products Ltd.
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(Unaudited - expressed in Canadian dollars)

	March 31, 2020	March 31, 2019
Cash provided by (used in):	**$**	**$**
Operating activities		
Net loss for the period	(762,961)	(439,637)
Depreciation	660,832	591,916
Unrealized foreign exchange (gain) loss	(6,332)	11,891
Deferred tax recovery	(219,320)	(181,059)
Gain on disposal of equipment	(2,592)	-
Share-based payments	44,278	85,968
Changes in non-cash working capital items		
Accounts receivable	(31,319)	1,481,085
Inventories	(51,867)	(192,786)
Prepaid expenditures	(55,817)	(37,622)
Deposits	89,514	-
Accounts payable and accrued liabilities	(172,210)	(728,975)
Customer deposits	72,921	13,823
Corporate income taxes receivable/payable	(436,506)	(46,202)
Cash (used in) provided by operations	(871,379)	558,402
Investing activities		
Acquisition of equipment	(83,538)	(430,169)
Proceeds from disposition of equipment	25,652	-
SC acquisition net of cash acquired (Note 3)	-	(2,915,109)
Cash used in investing activities	(57,886)	(3,345,278)
Financing activities		
Repayment of principal lease obligations	(275,638)	(272,772)
Issuance of principal lease obligations	-	408,576
Repayment of long-term debt	(173,117)	(346,800)
Proceeds from long-term debt	-	2,075,300
Repayment of bank indebtedness	(1,470,000)	-
Shares issued for cash	4,597,253	-
Cash share issue costs	(261,954)	-
Cash provided by financing activities	2,416,544	1,864,304
Increase (decrease) in cash	1,487,279	(922,572)
Cash - beginning of period	1,757,405	1,593,762
Cash - end of period	3,244,684	671,190
Cash paid during the period for:		
Interest	168,621	179,679
Income taxes	402,203	-

Supplemental cash flow information – Note 18

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

Atlas Engineered Products Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Exchangeable Notes – Equity Component	Contributed Surplus	Deficiency	Total
	(Note 14)	(Note 14)		(Note 14)		
		$	$	$	$	$
Balance, December 31, 2018	44,990,930	14,341,346	-	1,005,428	(7,206,325)	8,140,449
Shares issued on acquisitions (Note 3)	1,000,000	400,000	-	-	-	400,000
Share-based payments	-	-	-	85,968	-	85,968
Net loss for the period	-	-	-	-	(439,637)	(439,637)
Balance, March 31, 2019	**45,990,930**	**14,741,346**	**-**	**1,091,396**	**(7,645,962)**	**8,186,780**
Shares issued on acquisitions (Note 3)	225,000	90,000	-	-	-	90,000
Stock options exercised	16,666	5,000	-	-	-	5,000
Share-based payments	-	-	-	255,351	-	255,351
Net loss for the year	-	-	-	-	(315,510)	(315,510)
Balance, December 31, 2019	**46,232,596**	**14,836,346**	**-**	**1,346,747**	**(7,961,472)**	**8,221,621**
Shares issued pursuant to private placement (Note 14b)	11,493,134	4,597,253	-	-	-	4,597,253
Less: cash share issue costs (Note 14b)	-	(203,377)	-	-	-	(203,377)
Share-based payments	-	-	-	44,278	-	44,278
Net loss for the period	-	-	-	-	(762,961)	(762,961)
Balance, March 31, 2020	**57,725,730**	**19,230,222**	**-**	**1,391,025**	**(8,724,433)**	**11,896,814**

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

1. Nature of Operations

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

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

2. Significant Accounting Policies

Basis of presentation

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the three months ended March 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 social 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 on its business activities. The potential impact is not yet determinable; however there may have a material impact on the Company's financial position, results of operations, cash flows, and ability to obtain financing in future periods. In particular, there may be an increased risk of future goodwill and intangible asset impairments. As at June 30, 2020, all of our operations remain open and have not had to close as the Company has been deemed an essential business in all provinces that we currently operate in.

These consolidated financial statements were approved for issue by the Board of Directors on June 30, 2020.

2. Significant Accounting Policies (continued)

Basis of consolidation

The Company's consolidated financial statements consolidate those of the parent company and all its subsidiaries as of the date that control was obtained over those subsidiaries. The Company has five subsidiaries, all located in Canada,: Clinton Building Components Ltd ("Clinton"), Satellite Building Components Ltd ("Satellite"), Coastal Windows Ltd ("Coastal"), Pacer Building Components Ltd ("Pacer"), and South Central Building Systems Ltd ("SC"). The Company owns 100% of the issued and outstanding shares of all of these subsidiaries. During the year ended December 31, 2019, the Company amalgamated four subsidiaries: Pacer, DMH Holding Corp ("DMH"), Tandelle Specialty Products ("Tandelle"), and 2022013 Ontario Ltd ("2022013").

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

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

3. Acquisition of South Central Building Systems Ltd.

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

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

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

(Unaudited - expressed in Canadian dollars)

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

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

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

The above PPA calculations have been finalized.

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

	SC Jan 1 – Mar 31, 2020	**SC Mar 1 – Dec 31, 2019**
	$	**$**
Sales per consolidated financial statements	605,604	2,825,332
Loss before tax	(204,064)	(303,838)
Income tax recovery	(55,097)	(81,758)
Loss	(148,967)	(222,080)

4. Accounts receivable

Trade and other receivables were as follows:

	March 31, 2020	**December 31, 2019**
	$	**$**
Trade accounts receivable	3,363,132	3,334,500
Other receivables	69,625	58,925
Loss allowance	(7,124)	(5,443)
	3,425,633	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 three months ended March 31, 2020, the estimated credit loss amounted to $4,943.

(Unaudited - expressed in Canadian dollars)

5. Inventories

	March 31, 2020	December 31, 2019
	$	$
Raw materials	1,542,925	1,376,642
Work in progress	103,305	116,802
Finished goods	264,567	365,486
	1,910,797	1,858,930

During the three months ended March 31, 2020, $3,373,037 (March 31, 2019 - $2,481,063) in raw materials was expensed through cost of sales. It was determined that there was no requirement to write down any raw material, work in progress, or finished goods inventory during the three months ended March 31, 2020.

6. Buildings and equipment

	Land & Buildings	Office Furniture and Equipment	Vehicles	Production Equipment	Computer Equipment and Software	Signage and Land Improve	Total
	$	$	$	$	$	$	$
Cost							
Balance, December 31, 2018	5,385,514	169,354	2,387,561	3,095,110	229,234	201,611	11,468,384
Additions	124,102	33,428	441,994	596,299	36,502	-	1,232,325
Additions through business combination	892,000	7,000	290,500	885,800	-	-	2,075,300
Disposals	-	-	(400)	-	-	-	(400)
Balance, December 31, 2019	6,401,616	209,782	3,119,655	4,577,209	265,736	201,611	14,775,609
Additions	-	7,462	31,778	-	13,938	30,360	83,538
Disposals	-	-	(27,500)	-	-	-	(27,500)
Balance, March 31, 2020	6,401,616	217,244	3,123,933	4,577,209	279,674	231,971	14,831,647
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	226,083	4,678	140,158	134,638	3,930	1,420	510,907
Disposals	-	-	(4,440)	-	-	-	(4,440)
Balance, March 31, 2020	1,895,243	119,872	1,429,383	1,861,545	220,416	132,602	5,659,061
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 March 31, 2020	4,506,373	97,372	1,694,550	2,715,664	59,258	99,369	9,172,586

(Unaudited - expressed in Canadian dollars)

6. Buildings and equipment (continued)

Depreciation for tangible assets during the three months ended March 31, 2020 was $510,907 (March 31, 2019 - $461,443). During the three months ended March 31, 2020, $315,805 (March 31, 2019 - $272,602) of the depreciation was included in cost of sales.

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

	Building	Office Furniture and Equipment	Vehicles	Production Equipment	Total
	$	$	$	$	$
Balance, December 31, 2018	3,261,063	-	892,200	-	4,153,263
Additions	-	-	408,576	-	408,576
Disposals	-	-	-	-	-
Depreciation charge for the year	(826,841)	-	(378,745)	-	(1,205,586)
Balance, December 31, 2019	2,434,222	-	922,031	-	3,356,253
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation charge for the year	(206,710)	-	(75,110)	-	(281,820)
Balance, March 31, 2020	2,227,512	-	846,921	-	3,074,433

7. Intangible assets

	Customer Relationships	Brand	Certifications	Non-Compete Agreements	Total
	$	$	$	$	$
Cost					
Balance, December 31, 2018	3,757,000	838,000	142,000	413,000	5,150,000
Additions	282,000	368,000	-	64,000	714,000
Balance, December 31, 2019	4,039,000	1,206,000	142,000	477,000	5,864,000
Additions	-	-	-	-	-
Balance, March 31, 2020	4,039,000	1,206,000	142,000	477,000	5,864,000
Accumulated Depreciation					
Balance, December 31, 2018	64,306	15,702	3,549	8,415	91,972
Additions	399,196	114,478	14,196	93,266	621,136
Balance, December 31, 2019	463,502	130,180	17,745	101,681	713,108
Additions	100,974	30,153	3,549	23,850	158,526
Balance, March 31, 2020	564,476	160,333	21,294	125,531	871,634
Carrying amount at December 31, 2019	3,575,498	1,075,820	124,255	375,319	5,150,892
Carrying amount at March 31, 2020	3,474,524	1,045,667	120,706	351,469	4,992,366

As at March 31, 2020, the Company determined that there was no impairment to all intangible assets.

(Unaudited - expressed in Canadian dollars)

8. Goodwill

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

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

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

9. Bank Indebtedness

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

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

10. Accounts payable and accrued liabilities

	March 31, 2020	December 31, 2019
	$	$
Trade accounts payable	1,836,951	1,711,022
Sales taxes payable	150,538	220,686
Salaries and vacation payable	307,689	309,924
Other accounts payable	74,069	65,621
Accrued liabilities	616,361	850,565
	2,985,608	3,157,818

(Unaudited - expressed in Canadian dollars)

11. Intangible liability

	Over-Market Lease Agreement	Total
	$	**$**
Cost		
Balance, December 31, 2018	172,000	172,000
Additions	-	-
Balance, December 31, 2019	172,000	172,000
Additions	-	-
Balance, March 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	8,601	8,601
Balance, March 31, 2020	45,872	45,872
Carrying amount at December 31, 2019	134,729	134,729
Carrying amount at March 31, 2020	126,128	126,128

As at March 31, 2020, the Company determined that there was no impairment to the intangible liability.

(Unaudited - expressed in Canadian dollars)

12. Lease obligations

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

	March 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 17).	214,008	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.	90,936	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.	2,031,731	2,152,987
Vehicle under right-of-use asset lease repayable in monthly instalments of $4,879 with interest of 9.1% per annum, residual value of $51,000, maturing November 2020.	85,732	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.	122,802	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.	72,244	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.	174,478	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.	40,113	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.	280,794	305,365
Total lease obligation	3,112,838	3,388,476
Current portion	(1,134,797)	(1,174,485)
Non-current portion	1,978,041	2,213,991

(Unaudited - expressed in Canadian dollars)

12. Lease obligations (continued)

The following is a schedule of the total lease payments made during the three months ended March 31, 2020 and 2019:

	March 31, 2020	March 31, 2019
	$	$
Principal payment	275,638	272,772
Finance charge	52,074	69,922
Total lease payments	327,712	342,694

During the three months ended March 31, 2020, no assets were purchased under a right-of-use asset lease (March 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:

	March 31, 2020
	$
2019	1,029,836
2020	1,003,231
2021	847,795
2022	563,491
2023	-
Total minimum lease payments	3,444,353
Less: imputed interest	(331,515)
Total present value of minimum lease payments	3,112,838

During the three months ended March 31, 2020, the Company entered into a low value lease for multiple office equipment items for $13,200 (March 31, 2019 – no short-term or low-value leases were entered into).

(Unaudited - expressed in Canadian dollars)

13. Long-term debt

The long-term debt consists of the following:

	March 31, 2020	**December 31, 2019**
	$	**$**
RBC loan[1]	525,022	529,641
RBC Leaseback[2]	303,683	339,740
RBC Leaseback[3]	140,215	153,347
RBC loan[4]	413,049	418,335
RBC assumed loan[5]	-	3,849
RBC assumed loan[6]	4,556	6,509
RBC assumed loan[7]	12,091	15,719
RBC assumed loan[8]	6,490	8,113
RBC assumed loan[9]	18,627	22,119
RBC assumed loan[10]	26,585	29,653
RBC assumed loan[11]	66,600	72,000
RBC assumed loan[12]	43,745	47,110
BDC loan[13]	880,929	892,000
BDC loan[14]	1,140,480	1,183,300
Scotiabank assumed loan[15]	40,548	42,981
RBC loan[16]	4,187,534	4,187,534
Saw financing[17]	292,328	323,649
	8,102,482	8,275,599
Less current portion of term debt	(1,592,507)	(6,182,748)
Total long-term portion of term debt	6,509,975	2,092,851

1. A mortgage with a major Canadian bank bearing interest at a floating base rate (3.45% as at Mar 31, 2020) repayable at approximately $3,688 per month with the current term ending February 2022. The mortgage is amortized over 251 months. The loan is secured by a general security interest granted by the Company, with a security on the land and building of Clinton.
2. A leaseback with a major Canadian bank bearing interest at an implied rate of 4.6% repayable in instalments of $13,262 per month over a 48-month term. The leaseback is secured by the equipment of Truebeam.
3. A leaseback with a major Canadian bank bearing interest at an implied rate of 4.7% repayable in instalments of $4,965 per month over a 48-month term. The leaseback is secured by the equipment of Satellite.
4. A mortgage with a major Canadian bank bearing interest at a fixed rate of 5.05% for the initial term repayable at approximately $3,510 per month. The initial term ends October 9, 2023. The mortgage is amortized over 180 months. The loan is secured by a general security interest granted by the Company, with security on the land and building of Satellite .
5. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Mar 31, 2020) repayable at approximately $1,300 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 17 months. The loan is secured by a specific piece of equipment.
6. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Mar 31, 2020) repayable at approximately $666 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 24 months. The loan is secured by a specific piece of equipment.
7. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Mar 31, 2020) repayable at approximately $1,253 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 26 months. The loan is secured by a specific piece of equipment.
8. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Mar 31, 2020) repayable at approximately $561 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 29 months. The loan is secured by a specific piece of equipment.
9. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Mar 31, 2020) repayable at approximately $1,220 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 33 months. The loan is secured by a specific piece of equipment.
10. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Mar 31, 2020) repayable at approximately $1,110 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 42 months. The loan is secured by a specific piece of equipment.

13. Long-term debt

11. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Mar 31, 2020) repayable at approximately $2,027 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 53 months. The loan is secured by a specific piece of equipment.
12. A term loan with a major Canadian bank bearing interest at a floating base rate (2.8% as at Mar 31, 2020) repayable at approximately $1,280 per month. The loan was assumed on the acquisition of Pacer and remaining life is amortized over 55 months. The loan is secured by a specific piece of equipment.
13. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at Mar 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.
14. A term loan with a major Canadian bank bearing interest at a floating base rate (7.64% as at Mar 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.
15. A financing loan with a major Canadian bank bearing interest at 0.00% as at Mar 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.
16. A term loan with a major Canadian bank bearing interest at a floating base rate (5.2% as at Mar 31, 2020) repayable at principal of $144,398 plus interest per month from June to December and interest only payments from January to May. The loan is amortized over 55 months. The loan is secured by a general security interest granted by the Company, with a security on various equipment of the Company.
17. An equipment financing with a major equipment supplier, Mitek Canada Inc. bearing interest at 0.00% as at Mar 31, 2020 and repayable at principal of $10,440 plus tax per month. The loan is secured by a specific piece of equipment.

The Company applies judgement in the classification of long-term and short-term debt portions. The Company assumes that the prime interest rate will remain consistent or not change materially over the next twelve months. Loans 1 and 4 of the Company's debt obligations have consistent payments and a change in the interest rate would affect the principal payment portion as the overall payment is set for the term. The remaining loans have fluctuating payments that would change as the interest rate changes and the principal portion of those payments would remain constant.

The Company has not had any modifications to the terms of the debt during the three months ended March 31, 2020 and any future changes will result in updates to the long-term debt schedules.

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

14. Share capital

a) Authorized

Unlimited common shares without par value.

b) Share capital transactions

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

(Unaudited - expressed in Canadian dollars)

14. Share capital (continued)

c) Options

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

The Company's share options outstanding as at March 31, 2020 and December 31, 2019 and the changes for the periods then ended are as follows:

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

The total share-based payment expense recorded during the period March 31, 2020 was $44,278 (March 31, 2019: $85,968).

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

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years) options outstanding	Weighted exercise price of options exercisable	Number of options exercisable	Expiry date
$0.49	1,222,500	2.60	$0.49	1,222,500	November 8, 2022
$0.60	450,000	2.85	$0.60	450,000	February 5, 2023
$0.53	202,500	2.89	$0.53	202,500	February 21, 2023
$0.30	1,210,000	3.92	$0.30	806,663	March 4, 2024
$0.43	3,085,000	3.18	$0.45	2,681,663	

(Unaudited - expressed in Canadian dollars)

14. Share capital (continued)

c) Options (continued)

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

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

d) Warrants

The Company issued a ½ warrant with each common share with the two private placements completed October 31, 2018 and December 3, 2018. These warrants allow the holder to exercise the warrant for a common share of the Company at a price of $0.60. These warrants expire two years after they were issued.

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

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

The total warrant reserve recorded for the three months ended March 31, 2020 was $NIL (December 31, 2019: $NIL).

15. Revenue

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

Period ended March 31, 2020

	Trusses	Engineered wood products	Windows	Total
	$	$	$	$
Total revenue	5,267,674	1,452,822	377,483	7,097,979

(Unaudited - expressed in Canadian dollars)

15. Revenue (continued)

Period ended March 31, 2019

	Trusses	Engineered wood products	Windows	Total
	$	$	$	$
Total revenue	5,045,349	938,267	233,292	6,216,908

16. Cost of sales

Cost of sales is broken down as follows:

	March 31, 2020	March 31, 2019
	$	$
Materials	3,387,998	2,521,404
Labour	1,820,866	1,665,740
Fuel, maintenance, and overhead	460,635	596,746
Amortization	315,806	272,601
Total cost of sales	5,985,305	5,056,491

17. Related party transactions

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

Atlas is the parent company and owns 100% of the following subsidiaries: Clinton, Satellite, Coastal, Pacer, and SC.

The Company incurred the following charges as part of the Company's consolidated statement of loss and comprehensive loss during the periods ended March 31, 2020 and 2019:

	March 31, 2020	March 31, 2019
	$	$
Salaries and benefits	438,584	146,712
Management fees	72,000	73,200
Finance charge on lease obligations[1]	1,576	7,384
Share-based compensation	41,716	58,335
Total related party transactions	553,876	285,631

(Unaudited - expressed in Canadian dollars)

17. Related party transactions (continued)

Due to related parties

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

	March 31, 2020	December 31, 2019
	$	$
Due from related party		
Accounts receivable	72,998	95,787
Total due from related party	72,998	95,787
Due to related parties		
Accounts payable and accrued liabilities	(229,229)	(424,331)
Lease obligation (Note 12)[1]	(214,008)	(276,161)
Total due to related parties	(443,237)	(700,492)

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

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

18. Supplemental cash flow information

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

Period ended March 31, 2020

During the period ended March 31, 2020, the Company had no investing or financing activities identified that did not have a direct impact on the current cash flows.

Period ended March 31, 2019

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

19. Reconciliation of liabilities arising from financing activities

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

	Long-term debt	Lease obligations	Total
	$	$	$
Balance December 31, 2019	8,275,599	3,388,476	11,664,075
Repayments	(173,117)	(275,638)	(448,755)
Issuance	-	-	-
Assumed on acquisition	-	-	-
Balance March 31, 2020	8,102,482	3,112,838	11,215,320

19. Reconciliation of liabilities arising from financing activities (continued)

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

20. Financial instruments

Classification of financial instruments

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

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

Fair value

Due to the short-term nature of cash, trade accounts receivable, accounts payable and accrued liabilities the carrying value of these financial instruments approximate their fair value. Customer deposits are short-term in nature as they are either refundable if the order is not completed or applied to an order at their carrying value. The carrying value of the customer deposits would approximate their fair value. The fair value of long-term debt and liability portion of the exchangeable notes are not materially different from their 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.

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

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

(Unaudited - expressed in Canadian dollars)

20. Financial instruments (continued)

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 March 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 $13,100 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 three months ended March 31, 2020 and the year ended December 31, 2019 summarized below:

	March 31, 2020	December 31, 2019
	$	$
Classes of financial assets – carrying amounts		
Cash	3,244,684	1,553,005
Trade accounts receivable, net of loss allowance	3,356,008	3,329,057
	6,600,692	4,882,062

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

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

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 March 31, 2020 and December 31, 2019 is summarized below:

	March 31, 2020	December 31, 2019
	$	$
Trade accounts receivable, net of loss allowance		
Current	2,014,731	2,213,996
Past due 1 to 30 days	955,025	743,149
Past due 31 to 60 days	206,223	239,811
Past due over 60 days	180,029	132,101
	3,356,008	3,329,057

(Unaudited - expressed in Canadian dollars)

20. Financial instruments (continued)

Credit risk (continued)

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

As at March 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%	3.54%	0.21%
Trade accounts receivable	2,014,731	955,025	206,740	186,636	3,363,132
Loss allowance	-	-	517	6,607	7,124

As at December 31, 2019

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due over 60 days	Total
Expected loss rate	0.00%	0.00%	0.25%	3.54%	0.16%
Trade accounts receivable	2,213,996	743,149	240,412	136,943	3,334,500
Loss allowance	-	-	601	4,842	5,443

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

Liquidity risk

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

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables exceeds the current cash outflow requirements as our current ratio is currently 1.53:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

As at March 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	655,569	643,776	2,145,008	-
Accounts payable and accrued liabilities	2,985,608	-	-	-
Income taxes payable	-	-	-	-
Long-term debt	1,039,633	937,055	5,566,795	2,113,570
Total	4,680,810	1,580,831	7,711,803	2,113,570

(Unaudited - expressed in Canadian dollars)

20. Financial instruments (continued)

Liquidity risk (continued)

As at December 31, 2019, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current	Current	Non-current	Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	$	$	$	$
Lease obligations	655,424	702,124	2,414,518	-
Accounts payable and accrued liabilities	3,157,818	-	-	-
Income taxes payable	240,326	-	-	-
Long-term debt	6,079,418	241,327	1,480,212	1,341,805
Total	10,132,986	943,451	3,894,730	1,341,805

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

21. Management of capital

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

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

	March 31, 2020	December 31, 2019
	$	$
Long-term debt	8,102,482	8,275,599
Lease obligations	3,112,838	3,388,476
Less: Cash and cash equivalents	(3,244,684)	(1,553,005)
Net debt	7,970,636	10,111,070
Total equity	8,724,433	8,221,621
	16,695,069	18,332,691

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

Management reviews its capital management policies on an ongoing basis.

22. Subsequent events

a) RBC Loans

As of April 17, 2020, the Company has received a tolerance letter from RBC as the Company was in breach of certain covenants for the year ended December 31, 2019. The waiver was received for the year ended December 31, 2019 and all periods up to December 31, 2020.