



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three months ended March 31, 2020**

## Management's Discussion and Analysis

### INTRODUCTION

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This Management's Discussion and Analysis (the "MD&A"), dated as June 30<sup>th</sup>, 2020, is for the three months ended March 31, 2020. This MD&A should be read in conjunction with the unaudited consolidated financial statements for the three months ended March 31, 2020 and 2019, available under Atlas Engineered Products Ltd's ("AEP" or "the Company") profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The referenced unaudited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB"). All amounts included in this MD&A are expressed in Canadian dollars unless otherwise indicated.

AEP's board of directors, on the recommendation of the audit committee, has approved the content of this MD&A.

The Company is listed on the TSX Venture Exchange ("TSX-V") in Canada under the symbol AEP. All dollar amounts stated in this MD&A are expressed in Canadian dollars unless noted otherwise.

### FORWARD-LOOKING INFORMATION

This MD&A contains statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations up to the date of this MD&A.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms acceptable to the Company and the ability of third-party service providers to deliver services in a timely manner. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" as disclosed elsewhere in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements.

Forward-looking statements in this MD&A also include future-oriented financial information and financial outlook information ("FOFI") regarding the Company and its prospective results of operations, cash flows and components thereof. The FOFI contained in this MD&A is subject to the same assumptions, risk factors, limitations and qualifications set forth in this MD&A relating to other forward-looking statements. The FOFI contained in this MD&A is provided for the purpose of providing information regarding management's assessment of the Company's anticipated business operations and may not be appropriate for other

purposes.

Forward-looking statements, including FOFI, contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise except as required by securities law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **NON-IFRS / NON-GAAP FINANCIAL MEASURES**

Certain measures in this MD&A do not have any standardized meaning under IFRS and, therefore are considered non-IFRS or non-GAAP measures (collectively, "non-IFRS measures"). These non-IFRS measures are used by management to facilitate the analysis and comparison of period-to-period operating results for the Company and to assess whether the Company's operations are generating sufficient operating cash flow to fund working capital needs and to fund capital expenditures. As these non-IFRS measures do not have any standardized meaning under IFRS, these measures may not be comparable to similar measures presented by other issuers. The non-IFRS measures used in this MD&A include "EBITDA", "EBITDA margin", "adjusted EBITDA", "adjusted EBITDA per share", "adjusted EBITDA margin", "normalized EBITDA", and "normalized EBITDA margin". "EBITDA" is calculated as revenue less operating expenses before interest expense, interest income, amortization and depletion, impairment charges, and income taxes. "EBITDA margin" is EBITDA expressed as a percentage of revenues. "Adjusted EBITDA" is EBITDA after adjusting for share-based payments, foreign exchange gains or losses and non-recurring items. "Adjusted EBITDA per share" is adjusted EBITDA divided by the weighted average number of shares outstanding for the relevant period. "Adjusted EBITDA margin" is adjusted EBITDA expressed as a percentage of revenues. "Normalized EBITDA" is EBITDA adjusted for one time items. "Normalized EBITDA margin" is normalized EBITDA expressed as a percentage of revenues. Further information regarding these measures can be found in the "Non-IFRS Measures" section of this MD&A.

### CORPORATE PROFILE

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Atlas Engineered Products Ltd. ("AEP" or "the Company"), formerly Archer Petroleum Corp., was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on January 18, 1999. The Company's corporate office is located at 6551 Aulds Road, Unit 102, Nanaimo, British Columbia V9T 6K2.

The Company designs, manufactures and sells roof trusses, floor trusses, wall panels, and windows. The Company also distributes I-joists, engineered beams, and patio doors for use by builders of residential and commercial wood-framed buildings. These include single family homes, townhouses, multi-story wood-framed residential buildings, commercial buildings and agricultural structures.

Since going public on November 6, 2017, the Company has grown its Canadian footprint with six operations in British Columbia, Manitoba and Ontario. Its six plants consist of: Atlas Building Systems ("Atlas"), Pacer Building Components ("Pacer"), Clinton Building Components ("Clinton"), Satellite Building Components ("Satellite"), South Central Building Systems ("SC") and Coastal Windows ("Coastal").

Atlas, in Nanaimo, BC, is the Company's benchmark for efficiency and productivity. The Company is applying the Atlas methodology to all of its acquisitions and is still in the process of integrating these operations.

### OVERALL STRATEGY

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The Company's strategy is focused on profitability and organic revenue growth within its current markets, and the pursuit of a roll-up acquisition strategy to consolidate similar companies operating in the engineered wood products industry across Canada.

To pursue its business strategy, the Company's specific objectives are to:

- I. Drive revenue growth within all operating markets by developing and enhancing the Company's sales teams, products, and services.
- II. Lower operating costs by introducing scale economies in procurement and leveraging the strategic deployment of expensive design, engineering and transportation resources for the benefit of all operating locations.
- III. Broaden the product offerings available within each of the Company's operating markets. A core focus was to target roof truss manufacturing companies. However, there is massive organic growth potential in complementary product lines such as engineered wood (I-joist & engineered beams), engineered floor trusses, wall-panel and modular systems, other building components, windows and doors. The Company is actively pursuing the development and introduction of complementary product lines across all its facilities.
- IV. Acquire revenue and profit accretive businesses that strategically expand the Company's geographic footprint.

The Company believes its strategy provides for several competitive advantages, including:

- Strong regional and national leadership;
- Accumulated design and manufacturing know-how and deep operational expertise;
- Design, engineering and manufacturing capabilities;
- Strong regional networks of loyal clientele;
- Scalability of operations; and
- Replicable operational practices and methods.

Due to truss size, quality and shipping constraints, there is a maximum geographical radius where it is logistically feasible to transport trusses. Most metropolitan areas have several truss plants who compete aggressively and generally serve a limited geographical radius. Outside of large metropolitan areas, truss production facilities generally serve wide geographical areas in which there are limited competitors, very loyal customers and a more varied range of building types than those constructed by their counterparts in more metropolitan markets. Through strategic market consolidation, the Company will be able to acquire significant market share in key geographies, leverage additional revenue and profit from the acquired

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entities through business improvement opportunities and cost savings available at scale, and drive growth by diversifying product mix to include pre-fabricated floor and wall panels where not currently offered.

The strong performance of the Company's founding Atlas operations in Nanaimo, BC, serves as the Company's benchmark for operational and financial performance, and for evaluating potential targets in the truss and engineered wood products sector.

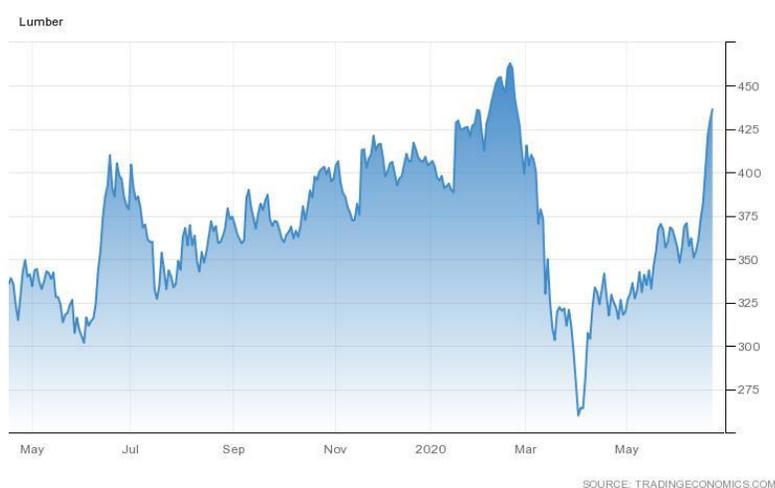
The Company believes the owners of many Canadian truss companies will be seeking to sell their businesses over the next several years. The Company's acquisition program has been designed to provide an exit strategy for these owner/managers and to integrate target companies in a manner that strategically increases the Company's share of the Canadian market, while positioning the acquired entities for significant continued growth.

To date, the Company has focused on the Pacific Region, Ontario and the Canadian Prairies. These regions have the most buoyant residential construction markets and the largest number of truss plants. However, the Company intends to remain opportunistic should other strategically valuable options present themselves.

### HIGHLIGHTS FOR THE QUARTER ENDED MARCH 31, 2020

#### Financial

- Overall revenue for the three months ended March 31, 2020 was \$7,097,979 compared to revenue of \$6,216,908 for the three months ended March 31, 2019. This represents overall growth in revenue of 14% in comparison to the three months ended March 31, 2019.
- Gross margin for the three months ended March 31, 2020 was 16%, which was down from a gross margin of 19% for the three months ended March 31, 2019. Gross margins declined in Quarter 1 2020 due to lumber price volatility at the beginning of 2020. The decrease was mainly associated with the prices of lumber rising sharply in anticipation of the 2020 summer & fall building season, as shown in the graph below. The largest of these increases occurred in January and February, when most winter work being completed had already been quoted and ordered in 2019, at lower lumber prices. As lumber prices increased, inventories were purchased at higher pricing in the beginning of 2020 to meet demand. Lumber prices fell sharply from mid-February 2020 as the COVID-19 pandemic hit North America. AEP's vendor managed inventory had to be depleted at the higher values during a time where the market was scrambling to get volumes at competitive prices.



- The Company's cash balance has increased to \$3,244,684 as at March 31, 2020 from \$83,005 (net of bank indebtedness) as at December 31, 2019. This is due to the private placement

completed in February of 2020 and has put the Company in a significantly position cash position moving forward with targeted 2020 acquisition and production expansion activities.

### Integration/Optimization

- The Company has a decentralized corporate structure with regional hubs supported by a lean parent office to provide the most effective means of managing a geographically diverse operation. The parent office team has been structured to provide corporate support to regional management teams in the areas of Corporate Strategy, Operational Excellence, Organizational Development & Human Resources, Operations, Finance, Procurement, and IT Infrastructure.
- Included in the Company's results for the three months ended March 31, 2020 are continued costs incurred to improve the following at each of the Company's acquisitions:
  - Improved workflows to increase productivity and efficiencies,
  - Automation activities – upgrading and improving equipment and technology applications,
  - Equipment relocation and installation to maximize capacity and equipment usage,
  - Product development to prepare for rapid sales growth through the busy construction season laying ahead,
  - Significant costs associated to the overall continued reorganization of the Company to establish a lean, effective and value adding leadership and staffing structure.

### OUTLOOK

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The Company's revenue objectives for 2020 are to reach an annualized revenue run rate of \$40m to \$45 million on an organic basis, with a normalized EBITDA margin of 10-15%. The Company is constantly assessing whether 2020 targets set in the last quarter of 2019 will continue to be achievable due to the economic conditions associated with the COVID-19 pandemic as they are changing day to day.

On a pro-forma basis, taking seasonality into account, management believes focused marketing activities, the addition of new product lines and sales staff to specific regions, and the focus on improved costs, should enable those targets to still be achievable, but will greatly depend on the ongoing and lasting impacts of the COVID-19 pandemic. Earmarked acquisition activities, if completed, are expected to significantly increase AEP's pro-forma run-rate for year 2020 and beyond. The Company continues to be optimistic that a normalized EBITDA margin of between 10% to 15% may be achievable this year.

The Company implemented strict cash preservation strategies to lower costs in anticipation of the effects of the COVID-19 pandemic. Adjustments such as physical distancing and increased cleaning required have initially impacted the Company, however, management's most significant changes occurred close to the end of March and subsequent to the first quarter results. These strategies included double digit salary reductions for senior staff, staffing reductions, postponed equipment purchases, rent reductions, contract cancellations, and interest only payments for some long-term debt payments. These cost reductions have helped the Company operate at a lower cost base while sales are lower than targeted.

### FINANCIAL HIGHLIGHTS

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The Company's results for the three months ended March 31, 2020 and March 31, 2019 include full period results from Atlas in Nanaimo, BC, Clinton in Clinton, ON, Satellite in Merrickville, ON, Coastal in Nanaimo, BC, and Pacer in Ilderton, ON. Results for SC in Carman, MB are included for the full period ended March 31, 2020 and beginning March 1, 2019 for the period ended March 31, 2019.

#### Summary of Financial Results

Revenue:

- Overall revenue for the three months ended March 31, 2020 was \$7,097,979 up from \$6,216,908 for the three months ended March 31, 2019. This represents overall growth in revenue of 14% in

comparison to the three months ended March 31, 2019.

### Cost of Sales & Gross Margin:

- Cost of sales for the three months ended March 31, 2020 was \$5,985,305 compared to \$5,056,491 for the three months ended March 31, 2019. This increase in cost of sales was primarily due to increased sales, new acquisitions, rapidly increasing lumber prices, and some efficiency loss due to new physical distancing and cleaning requirements.
- Gross margin for the three months ended March 31, 2020 was 16%, which was down from a gross margin of 19% for the three months ended March 31, 2019. Gross margins declined in the first quarter of 2020 due to increasing lumber prices and the start of the COVID-19 pandemic.
- The decreasing gross margin and increasing cost of sales was mainly associated with the prices of lumber rising sharply in anticipation of the 2020 summer & fall building season. The largest of these increases occurred in January and February when most winter work being completed had already been ordered and when lumber prices were lower. Lumber prices fell sharply from mid-February 2020 as the COVID-19 pandemic hit North America. The Company's vendor managed inventory had to be depleted at the higher values during a time where the market was scrambling to get volumes at competitive prices.
- The Company experienced some initial production and design inefficiencies as adjustments were made for physical distancing and work-from-home alternatives.
- The Company is also in the process of expanding product lines at some of the locations. This has resulted in an initial higher cost of sales as the product lines are established and efficiencies maximized.
- The Company believes it will be able to lower cost of sales again and increase gross margins as new protocols become part of the regular routine and efficiencies are maximized during the COVID-19 pandemic. As well as the market adjustment to raw material pricing as the construction season has significantly increased from the end of May 2020, as the economy re-opened across Canada.

### EBITDA, Adjusted EBITDA & Normalized EBITDA:

- Non-IFRS measures adjusted EBITDA and adjusted EBITDA margin retracted to \$(160,974) and -2% for the three months ended March 31, 2020 from \$198,963 and 3% for the three months ended March 31, 2019. Non-IFRS measures normalized EBITDA and normalized EBITDA margin declined to \$102,042 and 1% for the three months ended March 31, 2020 from \$287,919 and 5% for the three months ended March 31, 2019. (See "Non-IFRS Financial Measures on page 9").

During the three months ended March 31, 2020, the Company absorbed \$263,016 in one-time costs related to severance, the private placement completed in the first quarter, and marketing and website development. (See "Results of Operations" for one-time costs summary).

<b>SELECTED FINANCIAL RESULTS</b>	<b>Three Months Ended Mar 2020</b>	<b>Three Months Ended Mar 2019</b>
Revenue from the Business	\$7,097,979	\$3,021,181
Revenue from New Acquisitions	-	3,195,727
<b>Total Revenue</b>	<b>7,097,979</b>	<b>6,216,908</b>
Cost of Sales	5,985,305	5,056,491
<b>Gross Profit</b>	<b>1,112,674</b>	<b>1,160,417</b>
Gross Margin %	16%	19%
Operating Expenses	1,978,758	1,639,338
<b>Operating Loss</b>	<b>(866,084)</b>	<b>(478,921)</b>
Net Loss After Adjustments and Taxes	(762,961)	(439,637)
<b>Adjusted EBITDA</b>	<b>(160,974)</b>	<b>198,963</b>
Adjusted EBITDA Margin %	-2%	3%
<b>Normalized EBITDA</b>	<b>102,042</b>	<b>287,919</b>
Normalized EBITDA Margin %	1%	5%
Weighted Average Number of Shares	52,910,873	45,324,263
Adjusted EBITDA per Share (\$ per share)	(0.00)	0.00
Loss per Share, Basic and Fully Diluted (\$ per share)	(0.01)	(0.01)
<b>Selected Financial Information as at:</b>		
	<b>Mar 2020</b>	<b>Mar 2019</b>
Total Assets	\$27,981,392	\$27,737,581
Total Non-Current Liabilities	10,204,196	7,397,663

### Summary of Quarterly Financial Results

The following table sets forth selected financial information from the Company's unaudited quarterly financial statements for each of the eight most recently completed quarters. See below under Results of Operations for more details.

<b>SUMMARY OF QUARTERLY RESULTS</b>	<b>Mar-20</b>	<b>Dec-19</b>	<b>Sep-19</b>	<b>Jun-19</b>	<b>Mar-19</b>	<b>Dec-18</b>	<b>Aug-18</b>	<b>May-18</b>
	[3 MTH Quarter]	[4 MTH Quarter]	[3 MTH Quarter]	[3 MTH Quarter]				
Revenues	\$7,097,979	\$9,027,723	\$10,451,562	\$9,067,334	\$6,216,908	\$8,269,618	\$5,083,058	\$3,987,449
Net (loss) income	(\$762,961)	(\$1,010,096)	\$531,710	\$162,876	(\$439,637)	(\$1,193,675)	(\$56,411)	(\$485,317)
Net (loss) income per share <sup>(1)</sup>	(0.01)	(0.02)	0.01	0.01	(0.01)	(0.04)	(0.00)	(0.04)

<sup>(1)</sup> The basic and diluted income per share calculations result in the same amount due to there not being any outstanding instruments that would be anti-dilutive.

- At the end of fiscal 2019 and the beginning of 2020, the Company had increased overhead capacity due to targeted 2020 activities. By the end of March 31, 2020, the COVID-19 pandemic had resulted in significant economic shutdowns which caused delays in the Company's 2020 targeted activities. The Company scaled back significantly as part of our cash preservation strategy, but significant costs had already been incurred up to the end of the first quarter results which led to a net loss. Other one time, non-recurring costs also led to the decrease in net income during the three months

ended March 31, 2020.

## RESULTS OF OPERATIONS

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### Three Months Ended March 31, 2020

Revenue for the three months ended March 31, 2020 was \$7,097,979 compared to revenue of \$6,216,908 for the three months ended March 31, 2019. The revenue increase was mainly due to organic growth and secondarily the timing of the Company's acquisitions. Revenue from the Company's acquisitions were fully integrated in the Company's results for the three months ended March 31, 2020, whereas revenue from acquisitions during the three months ended March 31, 2019 were included from the date the acquisitions were completed. During the three months ended March 31, 2019, the Company had completed the acquisition of SC on March 1, 2019. Revenues for our operations are also subject to seasonal fluctuations as construction activities tend to be higher in spring, summer, and fall, and slower in winter. Seasonal fluctuations are expected to be greater in the Company's eastern divisions as seasonal weather on the West Coast tends to be milder than on the East Coast.

Cost of sales for the three months ended March 31, 2020 was \$5,985,305 compared to \$5,056,491 for the three months ended March 31, 2019. Cost of sales has continued to increase due to increased sales and new acquisitions that had higher cost of sales when acquired. The Company also had an initial higher cost of sales for the three months ended March 31, 2020 due to the prices of lumber rising sharply in January and February in anticipation of the upcoming building season with prices falling sharply from mid-February 2020 as the COVID-19 pandemic hit North America. AEP's vendor managed inventory had to be depleted at the higher values during a time where the market was scrambling to get volumes at competitive prices.

Gross margin for the three months ended March 31, 2020 was 16%, which is lower than gross margin of 19% for the three months ended March 31, 2019. As mentioned, the Company incurred higher costs of lumber due to the sharply rising prices and experienced reduced efficiencies as a result of the initial adjustment to physical distancing and work-from-home changes. The Company is also in the process of expanding product lines at some of the locations, as with the engineered woods products expansion and the expansion into pre-fabricated walls at the Atlas operation in Nanaimo, BC. This has resulted in some increased upfront costs as the product lines and sales pipelines are established.

The Company recorded a net loss of \$(762,961) (\$-0.01 per share) for the three months ended March 31, 2020 compared to a net loss of \$(439,637) (\$-0.01 per share) for the three months ended March 31, 2019. The Company recorded a net loss in the current period due to increasing overhead capacity in anticipation of targeted 2020 activities. Unfortunately, these activities have been slightly delayed due to the COVID-19 pandemic.

Administrative and office for the three months ended March 31, 2020 \$679,466 (three months ended March 31, 2019 – \$443,715). Administrative and office expenses have increased due to higher recruitment fees for senior leadership team members, investor and marketing fees related to the private placement and website development, and general increases in staff and overhead capacity. The increase in sales plus preparation for further acquisitive activities has resulted in a greater need for staff to support higher sales, and bigger focus on integration for targeted future acquisitions which resulted in increased recruitment fees, onboarding costs, and other office expenses. Part of the increase is also attributable to the timing of the acquisitions in 2019. Administrative and office costs for the Company's acquisitions for the comparative periods ended March 31, 2019 are included from the date of acquisition rather than for a full three-month period. For example, the SC acquisition was completed on March 1, 2019, resulting in the inclusion of administrative and office expenses attributable to Pacer for one month during the three-month period ended March 31, 2019. In comparison, administrative and office expenses attributable to SC are included for a full twelve weeks during the three months ended March 31, 2020.

Depreciation for the three months ended March 31, 2020 \$345,027 (three months ended March 31, 2019 – \$319,314). Overall depreciation increased slightly due to building and equipment and intangible assets

that were acquired with the Company's SC acquisition which was only included in part of the comparative period due to a March 1, 2019 acquisition date. During the three months ended March 31, 2020, \$510,907 in additional depreciation was included in cost of sales (three months ended March 31, 2019 – \$461,443).

Management fees for the three months ended March 31, 2020 \$72,000 (three months ended March 31, 2019 – \$73,200). Management fees has virtually no change due to consistent management contracts for the three months ended March 31, 2020 and 2019.

Professional fees for the three months ended March 31, 2020 \$125,682 (three months ended March 31, 2019 – \$199,717). No acquisitions occurred during the three months ended March 31, 2020 which has resulted in reduced professional fees associated with the Company's acquisition of SC in the comparative period.

Salaries and benefits for the three months ended March 31, 2020 \$710,098 (three months ended March 31, 2019 – \$525,777). There has continued to be an increase in salaries and benefits due to staffing increases in the parent office and with acquisitions. A portion of this is due to the Company's increased staffing capacity for targeted 2020 activities that will require additional support. Part of the increase is also attributable to the timing of the acquisitions as previously mentioned.

Share-based payments for the three months ended March 31, 2020 \$44,278 (three months ended March 31, 2019– \$85,968). This has decreased due to the number of options granted and being expensed in the comparative periods which was higher than the current period. A number of options were issued in the comparative period which resulted in a higher expense along with previous options that were still within their expensing periods. Options are expensed over eighteen months as they vest and any unvested options on termination are credited back to share based payment expense.

### One-time Costs

The Company incurred \$263,016 in one-time and non-recurring costs related to adjustments in response to COVID-19, severances, private placement completed in the first quarter, and marketing and website development during the three months ended March 31, 2020. These costs are not expected to be ongoing each year and/or period and are added back into normalized EBITDA calculations. The Company incurred one-time and non-recurring costs of \$88,956 for the three months ended March 31, 2019.

### **Non-IFRS Financial Measures – EBITDA, Adjusted EBITDA, and Normalized EBITDA**

EBITDA is a non-IFRS measure that provides an indication of whether the Company's operations are generating sufficient operating cash flow to fund working capital needs and to fund capital expenditures. EBITDA comprises revenue less operating expenses before interest expense, interest income, depreciation, impairment charges, and income taxes.

Adjusted EBITDA is a non-IFRS measure in which standard EBITDA (earnings before interest expense, interest income, taxes, depreciation, and impairment charges) is adjusted for share-based payments expense, foreign exchange gains or losses, and non-cash items. Foreign exchange gains or losses may consist of both realized and unrealized losses. Under IFRS, entities must reflect in compensation expense the cost of share-based payments. In the Company's circumstances, share-based payments can involve a significant accrual of amounts that will not be settled in cash but are settled by the issuance of shares in exchange. The Company discloses adjusted EBITDA to aid in understanding of the results of the Company and is meant to provide further information about the Company's financial results to investors.

Adjusted EBITDA margin is adjusted EBITDA expressed as a percentage of revenues. The adjusted EBITDA margin has increased due to successful completion of some integration activities and increased sales.

Normalized EBITDA is adjusted EBITDA adjusted for one-time costs and non-recurring items that the Company has incurred during the period related to specific activities such as acquisitions, specific marketing, and staffing changes. Normalized EBITDA margin is normalized EBITDA expressed as a

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percentage of revenues.

EBITDA for the three months ended March 31, 2020 was \$(182,533), with an EBITDA margin of -3%. EBITDA for the three months ended March 31, 2019 was \$101,733, with an EBITDA margin of 2%. EBITDA and EBITDA margin show a decline over the comparative three months ended March 31, 2019 mainly due to increased costs associated with the private placement and increasing staffing and other overhead capacity in order for the Company to successfully complete targeted 2020 acquisition and product expansion activities. The sharply rising prices of lumber and physical distancing inefficiencies also had an initial impact on the Company's cost of sales which contributed to the net loss and ultimately the negative EBITDA results.

Adjusted EBITDA margin for the three months ended March 31, 2020 was -2%, which is a decline over 3% for the three months ended March 31, 2019. This decline was also mainly due to increased costs associated with the private placement and increasing staffing and other overhead capacity in order for the Company to successfully complete targeted 2020 acquisition and product expansion activities. The sharply rising prices of lumber and physical distancing inefficiencies also had an initial impact on the Company's cost of sales which contributed to the net loss and ultimately the negative adjusted EBITDA results.

Normalized EBITDA margin was 1% for the three months ended March 31, 2020, as compared to 5% during the three months ended March 31, 2019. The decline is associated with the increased staffing and other overhead capacity in order for the Company to successfully complete targeted 2020 acquisition and product expansion activities. The sharply rising prices of lumber and physical distancing inefficiencies also had an initial impact on the Company's cost of sales which contributed to the net loss and ultimately the low normalized EBITDA results.

<b>EBITDA, Adjusted EBITDA, and Normalized EBITDA Calculation</b>	<b>Three Months Ended Mar 2020</b>	<b>Three Months Ended Mar 2019</b>
<b>Net income (loss) for the period as reported</b>	(\$762,961)	(\$439,637)
Interest earned	(5,508)	(104,421)
Interest expense	118,221	109,757
Income tax expense (recovery)	(243,517)	(125,804)
Accretion expense	-	-
Finance charge on leases	50,400	69,922
Depreciation	660,832	591,916
<b>EBITDA</b>	<b>(182,533)</b>	<b>101,733</b>
Loss (gain) on disposal of equipment	(2,592)	-
Foreign exchange (gain) loss	(20,127)	11,262
Share-based payments	44,278	85,968
<b>Adjusted EBITDA</b>	<b>(160,974)</b>	<b>198,963</b>
Revenue	7,097,979	6,216,908
<b>EBITDA Margin %</b>	<b>-3%</b>	<b>2%</b>
<b>Adjusted EBITDA Margin %</b>	<b>-2%</b>	<b>3%</b>
One time costs	263,016	88,956
<b>Normalized EBITDA</b>	<b>102,042</b>	<b>287,919</b>
<b>Normalized EBITDA Margin %</b>	<b>1%</b>	<b>5%</b>

### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS**

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

The Company incurred the following charges as part of the Company's consolidated statement of 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 <sup>1</sup>	1,576	7,384
Share-based compensation	41,716	58,335
<b>Total related party transactions</b>	<b>553,876</b>	<b>285,631</b>

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

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

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

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. In the management of capital, the Company includes its components of shareholders' equity.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling its expenses. The Company is not subject to externally imposed capital requirements.

The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements.

The COVID-19 pandemic has initially impacted the Company on the profitability side due to implementation of physical distancing and sanitizing practices in order to protect our employees and customers. The Company has also implemented a number of cash preservation strategies. These strategies included double digit salary reductions for senior staff, staffing reductions, postponed equipment purchases, rent reductions, contract cancellations, and interest only payments for some long-term debt payments. This along with the recently completed private placement raise has helped the Company weather any potential effects of the pandemic.

## Management's Discussion and Analysis

As at March 31, 2020, the Company held cash of \$3,244,684 and had working capital of \$3,090,491 (December 31, 2019 – cash \$1,553,005 and working capital of (\$5,088,333)). Working capital has increased due to the close of the private placement on February 6, 2020 which raised \$4,597,253 in gross proceeds. The increase is also attributable to the Company being onside with their covenants which allowed long-term debt to be shown as short term and long term. The comparative period had a covenant breach and even though a waiver was obtained all of the debt had to be shown as current.

During the three months ended March 31, 2020, net cash used by operating activities was \$871,379 and net cash provided by operating activities for the three months ended March 31, 2019 was \$558,402. The decrease during the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 is mainly due to the Company's acquisition activity in the comparative period which increased assets, depreciation, accounts receivable. During the current period there were no acquisitive activities, and corporate taxes were paid reducing the payable significantly.

Net cash used in investing activities for the three months ended March 31, 2020 was \$57,886 (three months ended March 31, 2019 – \$3,345,278). The significant reduction in cash used in investing activities during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was due to the completed acquisition of SC in the comparative period. No acquisitions were completed in the three months ended March 31, 2020.

Cash provided by financing activities for the three months ended March 31, 2020 was \$2,416,544 (three months ended March 31, 2019 – \$1,864,304). The change in cash provided by financing activities was due to the closing of a private placement on February 6<sup>th</sup>, 2020 which generated significant cash flow for the Company.

### **CAPITAL EXPENDITURES**

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During the three months ended March 31, 2020, the Company used cash to acquire equipment of \$83,538 (three months ended March 31, 2019 - \$430,169). Overall buildings and equipment decreased compared to the three months ended March 31, 2019 due to the larger equipment purchase in the comparative period of a new crane truck. There were no significant equipment purchased in the three months ending March 31, 2020.

### **FINANCIAL INSTRUMENTS**

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#### **Fair value of financial instruments**

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

#### **Classification of financial instruments**

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

#### **Financial and capital risk management**

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include interest rate risk, credit risk, and liquidity

## Management's Discussion and Analysis

risk. Where material, these risks are reviewed and monitored by the Board of Directors.

### CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies with the most significant effect on the amounts recognized in the Company's financial statements are as follows:

#### Key sources of estimation uncertainty

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

### SECURITIES OUTSTANDING

As at June 30<sup>th</sup>, 2020, the Company's outstanding share information is as follows:

Security	Number	Exercise Price	Expiry Date
Issued and outstanding common shares	57,725,730	NA	NA
Stock options	1,222,500	0.49	08-Nov-22
Stock options	450,000	0.60	05-Feb-23
Stock options	202,500	0.53	21-Feb-23
Stock options	1,210,000	0.30	04-Mar-24
<b>Total Options</b>	<b>3,085,000</b>		

The Company also has 17,313,019 outstanding warrants that can be exercised at \$0.60. 5,165,000 of these warrants expire on October 31, 2020 and on December 3, 2020, while the remaining 12,148,019 expire on February 6, 2022.

### DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the three months ended March 31, 2020 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109 the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its filings on SEDAR at [www.sedar.com](http://www.sedar.com).

### RISKS AND UNCERTAINTIES

The Company's business and financial prospects are subject to several risks and uncertainties, including operational, financial and regulatory risks. The risks described below are not the only ones that the Company may face. If any of these risks occur, the Company's business, financial position and its results of operation could be materially and adversely affected.

### **Business Development, Marketing and Sales Risk**

The Company's future growth and profitability will depend on the effectiveness and efficiency of its national and potentially future international business development and marketing and sales strategy, including the Company's ability to (i) consolidate the market via strategic acquisitions; (ii) determine appropriate business development, marketing and sales strategies and (iii) maintain acceptable operating margins on such costs. There can be no assurance that business development, marketing and sales costs will result in revenues for the Company in the future or will generate awareness of the Company's products and services. In addition, no assurance can be given that the Company will be able to manage the Company's business development, marketing and sales costs on a cost-effective basis.

### **Brand Awareness**

The Company's expansion of its products and services depends on increasing market consolidation through strategic acquisitions and through this maintaining customer loyalty in these captive markets before another company decides to move into the market and follow a similar business objective of market consolidation through acquisition. There is no assurance that the Company will be able to increase brand awareness. In addition, the Company must successfully develop a market for its products in order to sell its products. If the Company is not able to successfully develop a market for its products, then such failure will have a material adverse effect on the business, financial condition and operating results of the Company.

### **Growth Risk**

A key component of the Company's strategy is to continue to grow, both by increasing sales and earnings in existing markets with existing products, and by expanding into new markets and products. There can be no assurance that the Company will be successful in growing its business or in managing its growth. The Company's growth depends on, among other things:

- identifying and developing new markets and products;
- identifying and acquiring other businesses that are suitable acquisition candidates;
- successfully integrating any acquired businesses with existing operations;
- establishing and maintaining favourable relationships with customers in new markets, and maintaining these relationships in existing markets;
- establishing and maintaining favourable relationships with suppliers in new markets, and maintaining these relationships in existing markets; and
- successfully managing expansion and obtaining required financing.

In addition, the Company will depend on its ability to implement and integrate the following elements of its growth strategy:

- develop and expand sales through acquisitions;
- introduce new product lines; and
- carry out acquisitions, including identifying to the extent possible liabilities of the newly acquired businesses.

### **Management of Growth**

The inability of the Company to successfully manage its growth could have a material adverse effect on its operating results and cause its results from operations to fluctuate. As part of the Company's growth strategy, it intends to introduce new product lines, pursue acquisitions and expand sales to existing and new customers, in new and existing territories. The Company's expense levels are based, in part, on expected future revenues and the Company is constrained in its ability to reduce expenses quickly if for any reason its sales levels do not meet expectations in a quarter or period. Furthermore, rapid expansion may place a significant strain on the Company's senior management team and other key personnel as well as its business processes, operations and other resources. The Company's ability to manage growth will also depend in part on its ability to continue to enhance its management information systems in a timely

fashion, particularly if customer demands change in ways that the Company does not anticipate. Any inability to manage growth could result in delivery delays and cancellation of customer orders, which could have a material adverse effect on the Company's business.

### **Maintenance Obligations and Facility Disruptions**

The Company's manufacturing processes are vulnerable to operational problems that could impair the ability to manufacture products. The Company could experience a breakdown in any of their machines or other important equipment, and from time to time, planned or unplanned maintenance outages that cannot be performed safely or efficiently during normal hours of operation. Such disruptions could cause a loss of production, which could potentially have a material adverse effect on the business, financial conditions and operating results.

### **Dependence on the Housing, Construction, Repair and Remodelling Market**

The demand for the Company products is primarily affected by the level of new wood-framed residential and commercial construction activity and, to a lesser extent, repair and remodeling activity and other industrial uses, which are subject to fluctuations due to changes in general economic conditions. Decreases in the level of residential construction activity generally result in lower revenues, profits and cash flows for builders who are important customers to the Company.

### **Fluctuations in Prices and Demand for and Selling Price of Lumber**

The Company's financial performance principally depends on the demand for and selling price of its products. The markets for lumber products are cyclical and are subject to significant fluctuations. The markets for lumber are highly volatile and are affected by factors such as North American economic conditions, including the strength of the Canadian and U.S. housing market, the growing importance of the Asian market, changes in industry production capacity, changes in inventory levels and other factors beyond the Company's control. In addition, interest rates have a significant effect on residential construction and renovation activity, which in turn influences the demand for and price of lumber.

### **Product Liability Claims**

The Company produces engineered products and each product design is certified by a professional engineer. Each of these certified products is then inspected and is subject to the building plan and permit which in turn is covered by new homes and buildings protection liability insurance policies.

Although the Company believes that it maintains adequate insurance coverage, it may from time to time be subject to claims for damages resulting from defects in products that it supplies. Product liability claims, even if unsuccessful, may result in significant litigation costs to defend the claims as well as other costs incurred to remedy the problem, such as product recalls, which could substantially increase the Company's expenses. Successful or partially successful product liability claims could result in significant monetary liability and could seriously disrupt the Business, particularly if the Company's insurance coverage is inadequate or unavailable in respect of any such claims.

Furthermore, a highly publicized actual or perceived problem with products that the Company supplies could adversely affect the market's perception of its products which may result in a decline in demand for products supplied by the Company, thereby reducing the Company's revenues and operating results, which could have a material adverse effect on its business.

### **Uninsured or Uninsurable Risk**

The Company may become subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect

on the Company's financial position and operations.

### **Competition**

The Company may face significant competition in selling its products and services. Many competitors may have substantial marketing, financial, development and personnel resources. To remain competitive, the Company believes that it must effectively and economically provide: (i) products and services that satisfy customer demands, (ii) superior sales and customer service, (iii) high levels of quality and reliability, and (iv) dependable and efficient distribution networks. Increased competition may require the Company to reduce prices or increase spending on sales and marketing and customer support, which may have a material adverse effect on its financial condition and results of operations. Any decrease in the quality of the Company's products or level of service to customers or any occurrence of a price war among the Company's competitors and the Company may adversely affect the business and its results from operations.

### **Patent Infringement**

While the Company believes that its products and operations will not violate the intellectual property rights of third parties, other parties could bring legal actions against the Company claiming damages and seeking to enjoin the marketing and sale of the Company's products for allegedly conflicting with patents held by them. Any such litigation could result in substantial cost to the Company and diversion of effort by its management and technical personnel. If any such actions are successful, in addition to any potential liability for damages, the Company could be required to obtain a license in order to continue to market the affected products. There can be no assurance that the Company would prevail in such action or that any license required under any such patent would be available on acceptable terms, if at all. Failure to obtain needed patents, licenses or proprietary information held by others may have material adverse effect on the Company's business. In addition, if the Company were to become involved in such litigation, it could consume a substantial portion of the Company's time and resources.

### **Cyber Security Risk**

The Company relies on information technology systems and networks in its operations. The Company could be materially and adversely affected if the information technology systems or networks are compromised by malicious cyber attacks. This information technology infrastructure may be subject to security breaches or other cybersecurity incidents. In addition, these systems may be compromised by natural disasters or defects in software or hardware systems. The consequences of the Company's information technology systems being compromised potentially include material and adverse impacts on its financial condition, operations, production or sales, due to disruption of its business activities, and access to, and/or compromising of, proprietary sensitive information, including confidential customer or employee information, litigation and regulatory costs, devaluation of any intellectual property and reputation harm. While the Company believes it takes appropriate precautions considering cyber security risks, there can be no assurance that it may not be subject to cyber security risks or attack, which could have a material adverse effect on business or results of operations.

### **Obsolescence**

Maintaining a competitive position requires constant growth, development and strategic marketing and planning. If the Company is unable to maintain a technological advantage, the Company's ability to grow its business will be adversely affected and its products may become obsolete compared with other technologies.

### **Results of Operations and Financing Risks**

Management believes, based on its expectations as to the future performance of the Company, that the cash flow from its operations and funds available to it will be adequate to enable the Company to finance its operations, execute its business strategy and maintain an adequate level of liquidity. However, expected

revenue and the costs of planned capital expenditures are only estimates. Actual cash flows from operations are dependent on regulatory, market and other conditions that will be beyond the control of the Company. As such, no assurance can be given that management's expectations as to future performance will be realized. In addition, management's expectations as to the future performance of the Company reflect the current state of its information about recently acquired assets or entities, assets or entities currently considered for acquisition, the operations related thereto and integration efforts, and there can be no assurance that such information is correct or complete in all material respects.

### **Additional Requirements for Capital**

Substantial additional financing may be required if the Company is to be successful with the Company's acquisition strategy and the overall development of its business. The Company does not currently know whether it will be able to secure additional funding or funding on terms acceptable to the Company. The Company's ability to obtain additional funding will be subject to several factors, including market conditions, investor sentiment and the Company's operating performance. These factors may take the timing, amount, terms and conditions of additional funding unattractive to the Company. If the Company is unable to raise additional funds on terms acceptable to the Company's management when needed, the Company's ability to execute its acquisition strategy could be impaired, which could lead to a material adverse impact on its business. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion or may not be able to further develop its business at all.

If the Company can obtain additional funds by way of an equity financing, the Company's existing shareholders may experience dilution. Any additional debt financing, if available, may involve restrictions on the Company's financing and operating activities.

### **Liquidity and Future Financing Risk**

The Company does not currently have cash reserves for funding future growth and expansion and therefore may require additional financing in order to fund future growth in operations and expansion plans. The Company's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Company's business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to the Company's management. If additional financing is raised by issuing Common Shares, control may change, and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its business plan.

### **Changes in Law, Regulations and Guidelines**

The Company's business will be subject to laws, regulations, and guidelines. Although the Company intends to comply with all laws and regulations, there is no guarantee that the governing laws and regulations will not change which will be outside of the Company's control.

### **Key Personnel Risk**

The Company's success will depend on its directors' and officers' ability to develop the Company's business and manage its operations, and on the Company's ability to attract and retain the Chief Executive Officer and other key technical, sales, public relations and marketing staff or consultants to ramp up its business activities. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, design, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

### **Conflicts of Interest Risk**

Certain of the Company's directors and officers are also involved as advisors for other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers' conflict with or diverge from the Company's interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract, or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

### **Intellectual Property Protection**

The Company's intellectual property is protected primarily through trade secrets and copyright protection. The Company takes steps to document and protect its trade secrets and authorship of works protectable by copyright. However, there is no guarantee that such steps protect against the disclosure of confidential information, rights of employees, or that legal actions would provide sufficient remedy for any breach. Additionally, the Company's trade secrets might otherwise become known or be independently developed by competitors. If the Company's intellectual property cannot be protected, the business might be adversely affected.

### **Market Risk for Securities**

The market price for the Company shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company's Shares. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

### **Absence of Cash Dividends**

To date, the Company has not paid any cash dividends on its Common Shares and it does not anticipate the payment of any dividends on its Common Shares in the foreseeable future.

### **Smaller Companies**

Market perception of smaller companies may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds through the issue of further Common Shares or otherwise. The share price of publicly traded smaller companies can be highly volatile. The value of the Company's securities may go down as well as up, and, the share price may be subject to sudden and large falls in value given the restricted marketability of the Common Shares, results of operations, changes in earnings estimates or changes in general market, economic and political conditions.

### **Future Sales by Significant Shareholders**

Following release of shares from the resale restrictions imposed by the terms of the escrow agreement entered into by the former shareholders of the Company prior to its going public transaction with Archer Petroleum Corp., should the former shareholders of the Company determine to act in concert and sell their shares, the market price of the Common Shares may fall. This could result from the pressure on the market caused by such sales, or from concern that the sales signify problems in the Company's operations, or from some combination of the two. Mitigating this risk to some extent, though in no way eliminating it, is the fact that the securities subject to the escrow agreement are subject to certain release provisions.

### **Seasonality risk**

As the Company continues its acquisitions across Canada there are several locations that will face extreme weather conditions that will impact manufacturing and delivery of products. It will also impact the Company's customers and deliveries could be delayed.

### **Macro-Economic risk**

The Company may also be negatively affected by economic downturns or other disruptions to commercial and residential construction markets, which could affect the demand for the Company's products and services, and in turn negatively affect the Company's financial condition and results. Economic slowdowns may also affect capital or credit markets, affecting our ability to raise capital or credit for the purpose of achieving our business objectives.

### **Global Outbreak of COVID-19**

In March 2020, the World Health Organization declared COVID-19 to be a global pandemic. Pandemics, such as the COVID-19 pandemic, have the potential to disrupt the Company's operations, projects and business prospects through the disruption of operations at the Company's plants, disruption of the local, national and international supply chain and transportation services, and the loss of labour from quarantines and/or work restrictions, any of which may require the Company to temporarily reduce or shut down its operations. In addition, large scale epidemics, quarantines and work restrictions could negatively impact the construction market, the demand for the Company's products and services, or the collection of accounts receivable, any of which could have a material adverse affect on the Company's financial condition and results. At this time, it is unknown to what the full impact of the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place world-wide to fight the virus.

## **SUBSEQUENT EVENTS**

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### **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. The waiver was received for the year ended December 31, 2019 and all periods up to December 31, 2020.

## **OTHER INFORMATION**

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Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).