

**ARCHER PETROLEUM CORP.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED AUGUST 31, 2017

(Unaudited - Expressed in Canadian Dollars)

---

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

The accompanying unaudited condensed interim consolidated financial statements of the Company for the nine months ended August 31, 2017 and 2016 have been prepared by and are the responsibility of the Company's management.

The Audit Committee of the Board of Directors has reviewed the condensed interim consolidated financial statements and related financial reporting matters.

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

**ARCHER PETROLEUM CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - Expressed in Canadian Dollars)

	Notes	August 31, 2017 (\$)	November 30, 2016 (\$)
<b>ASSETS</b>			
Current			
Cash		150,896	197
GST recoverable		9,352	1,251
Deferred transaction costs		5,996	-
		<b>166,244</b>	<b>1,448</b>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	4	69,564	385,315
Convertible loan – liability component	5	-	180,000
Promissory notes	6	-	40,125
		<b>69,564</b>	<b>605,440</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	7, 10	22,123,295	21,406,529
Contributed surplus		3,138,997	3,138,997
Accumulated other comprehensive income		137,913	137,627
Deficit		<b>(25,303,525)</b>	<b>(25,287,145)</b>
		<b>96,680</b>	<b>(603,992)</b>
		<b>166,244</b>	<b>1,448</b>

Organization and nature of operations - Note 1  
Going concern – Note 2  
Subsequent event – Note 10

APPROVED BY THE DIRECTORS

“Robert McMorran” Director  
Robert McMorran

“Kirk Gamley” Director  
Kirk Gamley

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

**ARCHER PETROLEUM CORP.**  
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
For the three and nine months ended August 31, 2017 and 2016  
(Unaudited - Expressed in Canadian Dollars)

	Note	Three months ended		Nine months ended	
		August 31		August 31	
		2017	2016	2017	2016
		(\$)	(\$)	(\$)	(\$)
<b>Expenses</b>					
General and administrative	8, 9	6,613	29,319	49,740	72,755
Interest on convertible loan	5	-	4,950	7,975	14,850
Foreign exchange (gain) loss		(1,110)	16	(1,033)	(4,659)
Accretion of convertible loan	5	-	-	-	3,932
<b>Loss for the period before other item</b>		<b>(5,503)</b>	<b>(34,285)</b>	<b>(56,682)</b>	<b>(86,878)</b>
<b>Other item</b>					
Gain on debt settlement		-	-	40,302	188,799
<b>(Loss) income for the period</b>		<b>(5,503)</b>	<b>(34,285)</b>	<b>(16,380)</b>	<b>101,921</b>
<b>Other comprehensive income (loss)</b>					
Exchange differences on translation of foreign operations		309	(3)	286	1,027
<b>Total comprehensive (loss) income for the period</b>		<b>(5,194)</b>	<b>(34,288)</b>	<b>(16,094)</b>	<b>102,948</b>
<b>Basic and diluted (loss) income per share</b>	7(e)	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>0.04</b>
<b>Weighted average number of shares outstanding</b>		<b>11,709,091</b>	<b>2,709,091</b>	<b>7,110,550</b>	<b>2,709,091</b>

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

**ARCHER PETROLEUM CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)**  
For the nine months ended August 31, 2017 and 2016  
(Unaudited - Expressed in Canadian Dollars)

	Common Shares #	Share Capital (\$)	Convertible Loan – Equity Component (\$)	Contributed Surplus (\$)	AOCI (\$)	Deficit (\$)	Total (\$)
Balance – November 30, 2015	2,709,091	21,406,529	22,319	3,116,678	136,701	(25,360,786)	(678,559)
Transfer on expiry of conversion feature	-	-	(22,319)	22,319	-	-	-
Income and comprehensive income for the period	-	-	-	-	1,027	101,921	102,948
Balance – August 31, 2016	2,709,091	21,406,529	-	3,138,997	137,728	(25,258,865)	(575,611)
Loss and comprehensive loss for the period	-	-	-	-	(101)	(28,280)	(28,381)
Balance – November 30, 2016	2,709,091	21,406,529	-	3,138,997	137,627	(25,287,145)	(603,992)
Issued during the period							
For cash pursuant to the private placement of shares (Note 7(b))	9,000,000	720,000	-	-	-	-	720,000
Less: legal costs and filing fees	-	(3,234)	-	-	-	-	(3,234)
Loss and comprehensive loss for the period	-	-	-	-	286	(16,380)	(16,094)
Balance – August 31, 2017	<u>11,709,091</u>	<u>22,123,295</u>	<u>-</u>	<u>3,138,997</u>	<u>137,913</u>	<u>(25,303,525)</u>	<u>96,680</u>

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

**ARCHER PETROLEUM CORP.**  
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the nine months ended August 31, 2017 and 2016  
(Unaudited - Expressed in Canadian Dollars)

	2017 (\$)	2016 (\$)
<b>Cash (used in) provided by</b>		
<b>Operating activities</b>		
(Loss) income for the period	(16,380)	101,921
Add (deduct) items not involving cash:		
Unrealized foreign exchange loss	286	1,027
Accretion of convertible loan	-	3,932
Gain on debt settlement	(40,302)	(188,799)
	(56,396)	(81,919)
Changes in non-cash working capital items related to operations:		
GST recoverable	(8,101)	(387)
Prepaid expenses and other assets	-	2,147
Accounts payable and accrued liabilities	(275,449)	37,183
	(339,946)	(42,976)
<b>Investing activity</b>		
Deferred transaction costs	(5,996)	-
<b>Financing activities</b>		
Issuance of common shares	720,000	-
Share issuance costs	(3,234)	-
Proceeds from promissory notes	32,000	37,125
Repayment of promissory note	(72,125)	-
Repayment of convertible loan	(180,000)	-
	496,641	37,125
<b>Increase (decrease) in cash during the period</b>	<b>150,699</b>	<b>(5,851)</b>
<b>Cash, beginning of the period</b>	<b>197</b>	<b>7,414</b>
<b>Cash, end of the period</b>	<b>150,896</b>	<b>1,563</b>
<b>Cash paid for interest</b>	<b>60,775</b>	<b>-</b>
<b>Cash paid for income taxes</b>	<b>-</b>	<b>-</b>

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

**ARCHER PETROLEUM CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended August 31, 2017

(Unaudited - Expressed in Canadian Dollars)

---

**1 Organization and Nature of Operations**

Archer Petroleum Corp. (the "Company") is in the business of pursuing potential business opportunities as they arise and maintaining its public listing. On March 3, 2017, the Company's listing transferred from the TSXV to the NEX Board of the TSXV, trading under the symbol "ARK.H". The Company's corporate head office is located at Suite 1052 – 409 Granville Street, Vancouver, British Columbia, Canada.

**2 Going Concern**

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. At August 31, 2017, the Company had not yet achieved profitable operations, had an accumulated deficit of \$25,303,525 since inception, and expects to incur further losses in the development of its business. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

**3 Basis of Presentation**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended November 30, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended November 30, 2016.

These financial statements were approved by the board of directors for use on October 26, 2017.

**ARCHER PETROLEUM CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended August 31, 2017

(Unaudited - Expressed in Canadian Dollars)

**4 Accounts Payable and Accrued Liabilities**

	<b>August 31, 2017</b>	November 30, 2016
	(\$)	(\$)
Trade payables	<b>65,665</b>	139,065
Interest payable on convertible loan (Note 5)	-	52,800
Amounts due to related parties (Note 9)	<b>3,899</b>	193,450
Total accounts payable and accrued liabilities	<b>69,564</b>	385,315

**5 Convertible Loan**

	Liability Component \$	Equity Component \$
Balance – November 30, 2015	176,068	22,319
Accretion expense	3,932	-
Transfer on expiry to contributed surplus	-	(22,319)
Balance – November 30, 2016	180,000	-
Repayment	(180,000)	-
Balance – August 31, 2017	-	-

On March 26, 2014, the Company issued a secured convertible loan for the principal sum of \$180,000. The convertible loan bore interest at 11%. The convertible loan was convertible at the option of the holder into common shares of the Company at a conversion price of \$0.20 per share up to March 26, 2016. Interest was payable on the earlier of March 26, 2016 and the date of conversion. Interest was payable in cash or in common shares of the Company at the option of the Company. The note was collateralized by all the assets of the Company and its subsidiaries.

On April 21, 2016, the convertible loan was assigned to a third party. The loan bore interest at 11%.

On April 25, 2017, the Company repaid the principal of \$180,000 and accrued interest of \$60,775.

For accounting purposes, the convertible loan was separated into its liability and equity components. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible loan assuming an 18% effective interest rate which was the estimated rate for a convertible loan without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible loan and the fair value of the liability component. On expiry of the conversion feature, the equity component was transferred to contributed surplus.

During the nine months ended August 31, 2017, the Company recorded interest expense of \$7,975 (2016 - \$9,900) and accretion expense of \$nil (2016 - \$3,932).



**ARCHER PETROLEUM CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended August 31, 2017

(Unaudited - Expressed in Canadian Dollars)

**6 Promissory Notes**

During the year ended, November 30, 2016, the Company entered into two promissory note agreements totalling \$30,000 with a director of the Company and a third party, as well as an additional \$10,125 in advances from a director of the Company. The promissory notes and advances were non-interest bearing, unsecured and due on demand.

During the nine months ended August 31, 2017, the Company received an additional \$32,000 of advances from a director of the Company and a third party. The advances were non-interest bearing, unsecured and due on demand.

During the nine months ended August 31, 2017, the Company repaid the promissory notes totalling \$72,125.

The balance owing as at August 31, 2017 was \$nil (2016 - \$40,125).

**7 Share Capital****a) Authorized:**

Unlimited number of Class A voting common shares without par value.

Unlimited number of Class B preferred shares without par value.

**b) Financing**

On April 20, 2017, the Company closed a non-brokered private placement of 9,000,000 common shares at a price of \$0.08 per share for gross proceeds of \$720,000. In connection with the private placement, the Company incurred legal and filing fees of \$3,234.

**c) Stock Options:**

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSXV). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. All options vest when granted unless otherwise noted.

A summary of options outstanding as of August 31, 2017 and November 30, 2016 and the changes during the periods then ended is presented below:

	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Life (Years)
Outstanding, November 30, 2015	213,331	2.60	5.31
Expired	(775)	24.00	
Outstanding, November 30, 2016	212,556	2.60	4.32
Outstanding and exercisable, August 31, 2017	212,556	2.60	3.57

**ARCHER PETROLEUM CORP.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended August 31, 2017

(Unaudited - Expressed in Canadian Dollars)

At August 31, 2017, the following options were outstanding entitling the holder thereof the right to acquire one share for each option held:

Number of Options	Exercise Price	Expiry Date
125,000	\$1.40	November 28, 2019
82,556	\$4.00	February 14, 2023
5,000	\$8.00	April 9, 2023
<u>212,556</u>		

d) Warrants:

A summary of warrants outstanding and exercisable as of August 31, 2017 and November 30, 2016 and the changes during the periods then ended is presented below:

	Number of Warrants	Weighted Average Exercise Price (\$)	Weighted Average Life (Years)
Outstanding, November 30, 2015	1,094,862	1.80	0.25
Expired	(1,094,862)	1.80	
Outstanding, November 30, 2016 and August 31, 2017	-	-	-

e) Basic and Diluted Loss per Share:

During the nine months ended August 31, 2017 and 2016, potentially dilutive common shares totalling 212,556 (2016 – 436,143) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive.

**8 General and Administrative Expenses**

The Company incurred the following general and administrative expenses during the three and nine months ended August 31, 2017 and 2016:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>August 31</b>		<b>August 31</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	(\$)	(\$)	(\$)	(\$)
Accounting and audit fees	<b>2,922</b>	2,522	<b>12,198</b>	11,914
Filing and transfer agent fees	<b>2,610</b>	7,681	<b>9,854</b>	16,895
Legal fees	<b>720</b>	6,548	<b>2,559</b>	8,827
Management fees	-	10,500	<b>23,700</b>	31,500
Office and miscellaneous	<b>361</b>	300	<b>1,429</b>	1,851
Shareholder communications	-	1,768	-	1,768
	<b>6,613</b>	29,319	<b>49,740</b>	72,755

**ARCHER PETROLEUM CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended August 31, 2017

(Unaudited - Expressed in Canadian Dollars)

**9 Related Party Transactions**

The Company incurred the following expenditures during the three and nine months ended August 31, 2017 and 2016 that were charged by officers of the Company and / or companies they owned or were significant shareholders of:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>August 31</b>		<b>August 31</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>(\$)</b>	(\$)	<b>(\$)</b>	(\$)
General and administrative expenses				
Accounting and legal fees	<b>2,922</b>	2,523	<b>11,588</b>	10,114
Management fees	-	10,500	<b>23,700</b>	31,500
Gain on debt settlement	-	-	<b>(40,302)</b>	(188,799)

Included in accounts payable and accrued liabilities as at August 31, 2017 is \$3,899 (November 30, 2016 – \$193,450) due to companies controlled by directors of the Company and to directors and officers of the Company.

Included in promissory notes (Note 6) as at August 31, 2017 is \$nil (November 30, 2016 - \$25,125) due to a director of the Company.

Key management includes the Chief Executive Officer, the Chief Financial Officer and the directors of the Company. The compensation paid or payable to key management for services during the three and nine months ended August 31, 2017 and 2016 is identical to the table above.

**10. Subsequent Event**

On September 12, 2017, the Company entered into a share exchange agreement (the “Definitive Agreement”) with Atlas Engineered Products Ltd. (“Atlas”), whereby the Company has agreed to acquire all of the issued and outstanding shares of Atlas (the “Transaction”). Under the terms of the Definitive Agreement, the Company will pay the principal shareholders \$1,000,000 and issue shares to the shareholders of Atlas such that they hold twenty five percent (25%) of the issued and outstanding shares of the Company on closing of the Transaction. As at August 31, 2017, the Company reported deferred transaction costs of \$5,996.