
ARCHER PETROLEUM CORP.
Suite 880, 580 Hornby Street, Vancouver, BC V6C 3B6

FILING STATEMENT
DATED OCTOBER 25, 2017

Neither the TSX Venture Exchange Inc. (the "Exchange") nor any securities regulatory authority has in any way passed upon the merits of the Reverse Takeover described in this filing statement.

ARCHER PETROLEUM CORP.

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GLOSSARY

“**1119866**” means 119866 B.C. Ltd.

“**Affiliate**” means a company that is affiliated with another company as described below.

A company is an “Affiliate” of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A company is “controlled” by a Person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

“**Arm’s Length Transaction**” means a transaction which is not a Related Party Transaction.

“**Archer**” means Archer Petroleum Corp.

“**ASC**” means the Alberta Securities Commission.

“**Associate**” when used to indicate a relationship with a Person, means:

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the Person,
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,
- (d) in the case of a person, a relative of that person, including
 - (i) that Person’s spouse or child, or
 - (ii) any relative of the Person or of his spouse who has the same residence as that person;

but

- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

“**Atlas**” means Atlas Engineered Products Ltd.

“**Atlas Shares**” means the issued and outstanding shares of Atlas.

“Atlas Shareholders” means the shareholders of Atlas, being Hadi Abassi, Hadi Abassi as Trustee for the Abassi Family Trust, Gurmit Dhaliwal and Sterling Mitchell.

“BCSC” means the British Columbia Securities Commission.

“Board” means the Board of Directors of Archer.

“Change of Business” or “COB” means a transaction or series of transactions which will redirect an Issuer’s resources and which changes the nature of its business, for example, through the acquisition of an interest in another business which represents a material amount of the issuer’s market value, assets or operations, or which becomes the principal enterprise of the issuer.

“Change of Control” includes situations where after giving effect to the contemplated transaction and as a result of such transaction:

- (a) any one Person holds a sufficient number of the Voting Shares of the Issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer, or
- (b) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding hold in total a sufficient number of the Voting Shares of the Issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer;

where such Person or combination of Persons did not previously hold a sufficient number of Voting Shares to affect materially the control of the Issuer or Resulting Issuer. In the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold more than 20% of the Voting Shares of the Issuer or Resulting Issuer is deemed to materially affect the control of the Issuer or Resulting Issuer.

“Coastal” means Coastal Windows Ltd.

“Coastal Windows Acquisition” means the acquisition of the assets of Coastal by 1119866 B.C. Ltd. pursuant to an asset purchase agreement dated May 31, 2017.

“Coastal Amalgamation” means the amalgamation of Coastal with Atlas on July 31, 2017 by way of long form amalgamation under the BCBCA.

“Common Shares” means the common shares in the capital of Archer.

“Company” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“Completion Date” means the date of the Final Exchange Bulletin.

“Control Person” means any Person that holds or is one of a combination of Persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

“Escrow Agreement” means the escrow agreement to be entered into prior to closing among Archer, Hadi Abassi as Trustee for the Abassi Family Trust, Gurmit Dhaliwal, Sterling Mitchell, Guy Champagne and Computershare Investor Services Inc.

“Escrow Shares” means the shares of the Resulting Issuer held in escrow as per Escrow Agreement.

“Exchange” means the TSX Venture Exchange Inc.

“Filing Statement” means this filing statement dated October 25, 2017.

“Final Exchange Bulletin” means the bulletin issued by the Exchange following closing of the COB or RTO and the submission of all Post-Approval Documents which evidences the final Exchange acceptance of the COB or RTO.

“Financing” means non-brokered private placement financing of a minimum of 8,750,000 Resulting Issuer Shares and up to a maximum of 10,000,000 Resulting Issuer Shares at a price of \$0.40 per share for gross proceeds of a minimum of \$3,500,000 and up to a maximum of \$4,000,000.

“Insider” if used in relation to an Issuer, means:

- (a) a director or senior officer of the Issuer;
- (b) a director or senior officer of the company that is an Insider or subsidiary of the Issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Issuer; or
- (d) the Issuer itself if it holds any of its own securities.

“Non-Arm’s Length Party” means in relation to a company, a promoter, officer, director, other insider or Control Person of that company (including an Issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any company of which the individual is a promoter, officer, director, insider or Control Person.

“Person” means a company or individual.

“Post-Approval Documents” mean the documents prescribed as such in Policy 5.2 – *Changes of Business and Reverse Takeovers*.

“Related Party Transaction” has the meaning ascribed to that term Policy 5.9, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non-Arms Length Parties, or other circumstances exist which may compromise the independence of the issuer with respect to the transaction.

“Resulting Issuer” means the issuer existing on the Completion Date.

“Resulting Issuer Shares” means the shares of the Resulting Issuer.

“Reverse Takeover or RTO” means a transaction or series of transactions, involving an acquisition by the issuer or of the issuer, and a securities issuance by an issuer that results in:

- (a) new shareholders holding more than 50% of the outstanding voting securities of the issuer, and
- (b) a Change of Control of the issuer. The Exchange may deem a transaction to have resulted in a Change of Control by aggregating the shares of a vendor group and/or incoming management group,

but does not include any transaction or series of transactions whereby the newly issued securities are to be issued to shareholders of an issuer listed on TSX or another senior exchange under a formal takeover bid made pursuant to Securities Laws.

A transaction or series of transactions may include an acquisition of a business or assets, an amalgamation, arrangement or other reorganization.

Any securities issued pursuant to a Private Placement effected concurrently, contingent upon, or otherwise linked to a transaction or series of transactions, may be used in order to determine whether a transaction or series of transactions satisfies (a) and/or (b), above.

“SEDAR” means System for Electronic Document Analysis and Retrieval.

“Share Exchange Agreement” means the share exchange agreement dated September 12, 2017 between Archer, Atlas and the Atlas Shareholders whereby Archer has agreed to acquire all the issued and outstanding Atlas Shares.

“Sponsor” has the meaning specified in Exchange *Policy 2.2 – Sponsorship and Sponsorship Requirements*.

“Target Company” means a company to be acquired in connection with the RTO.

“Transaction” means the completion of the transaction set forth in the Share Exchange Agreement and which, together with the Financing.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this filing statement constitute "forward-looking statements." These statements, identified by words such as "plan," "anticipate," "believe," "estimate," "should," "expect" and similar expressions include our expectations and objectives regarding our future financial position, operating results and business strategy. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; lack of brand awareness; limited operating history of the Resulting Issuer; market fluctuations; and recruitment and retention of key personnel, as well as those factors discussed in the section titled "*Risk Factors*."

Forward looking statements are based on a number of material factors and assumptions, including economic conditions in Canada and globally will continue to show modest improvement in the near to medium future, no material change to competitive environment, the Resulting Issuer will be able to access sufficient qualified staff, and there will be no material changes to the tax and other regulatory requirements governing the Resulting Issuer. While the Resulting Issuer considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "*Risk Factors*."

The Resulting Issuer intends to discuss in its quarterly and annual reports any events or circumstances that occurred during the period to which such documents relate that are reasonably likely to cause actual events or circumstances to differ materially from those disclosed in this Filing Statement. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of such factors, may cause actual results to differ materially from those contained in any forwarding looking statement. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Resulting Issuer.

The forward looking statements contained in this Filing Statement are expressly qualified by this cautionary statement. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and, except as required by law, the Resulting Issuer undertakes no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise, after the date which the statements are made to reflect the occurrence of unanticipated events. Readers are cautioned against attributing undue certainty to, and placing undue reliance on, forward-looking statements.

The Resulting Issuer advises you to carefully review the reports and documents we file from time to time with the BCSC and the ASC.

SUMMARY OF FILING STATEMENT

The following is a summary of the information relating to Archer, Atlas and the Resulting Issuer (assuming completion of the Transaction) and should be read together with more detailed information and financial data and statements contained elsewhere in this Filing Statement.

This filing statement is dated October 25, 2017 (the "Filing Statement"). All information contained in this Filing Statement is as at October 25, 2017 unless otherwise specified.

The Companies

Archer Petroleum Corp.

Archer Petroleum Corp. ("Archer") was incorporated on October 31, 1984 under the laws of British Columbia. Archer's business has been restricted to the identification and evaluation of businesses or assets for the purpose of completing its Transaction, the negotiation of the Share Exchange Agreement and efforts to implement the RTO. See "*Part I – Information Concerning Archer - General Development of Business*".

Atlas Engineered Products Ltd.

Atlas Engineered Products Ltd. ("Atlas") was incorporated on January 18, 1999 under the laws of the Province of British Columbia. Atlas Engineered Products Ltd. amalgamated with Coastal Windows Ltd., an affiliated company, on July 31, 2017 under the name Atlas Engineered Products Ltd. (under incorporation number BC1128469). Atlas is a leading manufacturer of trusses and engineered wood products in central Vancouver Island, British Columbia, Canada. See "*Part II – Information Concerning The Target Company – Narrative Description of the Business*".

The Transaction

On September 12, 2017, Archer entered into the Share Exchange Agreement with Atlas and the Atlas Shareholders whereby Archer has agreed to acquire all of the issued and outstanding shares of Atlas. Under the terms of the Agreement, Archer will (A) pay the Atlas Shareholders a total of \$1,000,000 and (B) issue such number of shares to the Atlas Shareholders such that they hold twenty five percent (25%) of the issued and outstanding shares of Archer on closing of the Transaction and Financing. Currently, Archer anticipates that approximately 7,315,530 common shares of Archer (assuming completion of the minimum Financing) and up to 7,732,197 common shares of Archer (assuming completion of the maximum Financing) will be issued to the Atlas Shareholders.

Prior to closing of the Transaction, Archer will complete a non-brokered private placement financing of a minimum of 8,750,000 Resulting Issuer Shares and up to a maximum of 10,000,000 Resulting Issuer Shares at a price of \$0.40 per share for gross proceeds of a minimum of \$3,500,000 and up to a maximum of \$4,000,000. Proceeds of the Financing will be used for marketing Atlas' products, carrying out strategic acquisitions, the cash payment of \$1,000,000 to the Atlas Shareholders and general working capital purposes.

Following closing of the Transaction, Archer plans to change its name to "Atlas Engineered Products Ltd." and the common shares of Archer will be listed on the Exchange under the symbol "AEP".

The obligations of Archer and Atlas to complete the Transaction are subject to the satisfaction of customary conditions precedent including, but not limited to: (i) Exchange approval; (ii) the receipt of all necessary shareholder and board of director approvals; (iii) the completion of the Financing; (iv) the absence of any material breach of the representations, warranties and covenants made by each party to the other; and (vii) other conditions which are customary for a transaction such as the Transaction.

Interests of Management in the Transaction

Except for an Exchangeable Note in the principal amount of \$50,000 held by Guy Champagne, being the CEO and director of Archer, no Insider, promoter or Control Person of Archer and no Associates and Affiliates, before and after giving effect to the Transaction, has any interest in the Transaction other than that which arises from their holding of Common Shares as set out in *Part III - Information Concerning the Resulting Issuer – Principal Security Holders* and *Part III – Information Concerning the Resulting Issuer – Directors, Officers and Promoters*.

Arm's Length Transaction

The Transaction is an arm's length transaction.

Available Funds and Principal Uses

After completion of the Transaction and the Financing, the Resulting Issuer will have available funds of a minimum of \$3,021,342 (assuming completion of the minimum Financing) and up to a maximum of \$3,521,342 (assuming completion of the maximum Financing). The principal purpose of those funds will be used for acquisitions of other companies in order to gain greater portions of the market resulting in the expansion of commercialization of Atlas's current products and services, and a small amount on business development and marketing, recruitment of staff, new product development, expenses incurred under the Transaction and general working capital purposes. See *Part III – Information Concerning The Resulting Issuer - Available Funds and Principal Purposes*".

Selected Pro Forma Consolidated Financial Information of Resulting Issuer

The following table sets out certain consolidated financial information as at May 31, 2017. The information is derived from the unaudited interim financial statements of Archer as at May 31, 2017 and the audited annual financial statements of Atlas as at May 31, 2017 and the pro-forma financial statements of the Resulting Issuer as at May 31, 2017 and should be read in conjunction with such statements:

| | Archer As At May 31, 2017 (unaudited) | Atlas As At May 31, 2017 (audited) | Pro Forma Adjustments⁽¹⁾ | Resulting Issuer Pro Forma |
|-----------------------------------|--|---|--|---------------------------------------|
| Working Capital (Deficit) | 101,874 | (1,271,460) | 3,925,870 | 2,756,284 |
| Current Assets | 174,599 | 1,314,075 | 3,197,500 | 4,686,174 |
| Total Assets | 174,599 | 3,658,553 | 3,197,500 | 7,030,652 |
| Current Liabilities | 72,725 | 2,585,535 | (728,370) | 1,929,890 |
| Total Liabilities | 72,725 | 4,083,443 | (728,370) | 3,427,798 |
| Shareholders' Equity (Deficit) | 101,874 | (424,890) | 3,925,870 | 3,602,854 |

Note:

(1) See note 2 of the pro forma financial statements of the Resulting Issuer included in this Filing Statement for details of the assumptions relied upon for these adjustments.

Listing and Market Price of Common Shares

The Common Shares of Archer are listed on the Exchange under the symbol "ARK.H". The closing market price of the Common Shares on June 15, 2017, the trading date immediately preceding the announcement of the Transaction and the Financing, was \$0.49. See *Part I – Information Concerning Archer – Stock Exchange Price*".

Sponsorship

Archer will apply for a waiver to the requirement to engage a Sponsor.

Risk Factors

There are a number of risk factors associated with an investment in the Resulting Issuer. Accordingly, prospective investors should carefully consider and evaluate all risks and uncertainties involved in an investment in the Resulting Issuer, including risks related to:

- the Resulting Issuer's shares may experience fluctuations upon commencement of trading;
- changes in laws, regulations and guidelines;
- the Resulting Issuer may require additional financing in order to continue the development and growth of its business;
- the Resulting Issuer does not plan to pay dividends in the near future;
- the success of the Resulting Issuer's marketing and sales strategy over the next twelve months;
- the Resulting Issuer's ability to manage growth;
- the Resulting Issuer's products and technology are subject to obsolescence;
- the Resulting Issuer's ability to expand market of its products and services;
- the Resulting Issuer may be subject to liability risks which it cannot insure or elect not to insure;
- the directors and officers may engage in business that is in conflict with the Resulting Issuer.
- the Resulting Issuer will be dependent on the experience and skill of its management;
- no assurance the Resulting Issuer's operations will remain profitable;
- the Resulting Issuer's business depends on brand awareness of its products;
- the Resulting Issuer may face significant competition from larger businesses;
- the Resulting Issuer not infringing a third party's intellectual property rights;
- the ability of the Resulting Issuer to limit any cyber security breaches;
- the Resulting Issuer's ability to grown its business and manage its growth;
- the Resulting Issuer's process is vulnerable to operational problems;
- fluctuations in the price of timber;
- the Resulting Issuer is dependent on the housing, construction, repair and remodelling market;
- the Resulting Issuer may be subject to product liability claims;
- the Resulting Issuer has sufficient protection over its intellectual property;
- the Resulting Issuer may not be able to finance its acquisition strategy;
- there is no assurance that the financial performance of the Resulting Issuer will continue;
- global economic conditions may adversely affect the Resulting Issuer's business;
- the Common Shares of the Resulting issuer are speculative and may experience high volatility on the Exchange;
- on closing of the Transaction, the shareholders of Atlas will control the Resulting Issuer; and
- the significant shareholders of the Resulting Issuer may sell the shares which they own in the Resulting Issuer.

See "*Risk Factors*".

Conditional Listing Approval

The Exchange has conditionally accepted the Transaction subject to Archer fulfilling all of the requirements of the Exchange on or before January 17, 2018.

RISK FACTORS

Upon completion of the Transaction, the Resulting Issuer will carry on the business of Atlas and actual operating results may be different from those expected as at the date of this Filing Statement. An investment in the Resulting Issuer is speculative and involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below, in addition to the other information contained in this document, before making any decision to invest in the Resulting Issuer. The directors consider the following risks and other factors to be the most significant for potential investors in the Resulting Issuer, but the risks listed do not necessarily comprise all those associated with an investment in the Resulting Issuer and are not set out in any

particular order of priority. Additional risks and uncertainties not currently known to the directors may also have an adverse effect on the Resulting Issuer's business.

Market Risk for Securities

Atlas is a private company whose common shares are not listed for trading on a stock exchange. There can be no assurance that an active trading market for Atlas shares will be established and sustained after the Transaction. Upon the close of the Transaction, the market price for the Resulting Issuer 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 Resulting Issuers 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.

Change in Law, Regulations and Guidelines

Atlas and any Resulting Issuer's business will be subject to particular laws, regulations, and guidelines. Although the Resulting Issuer 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 Atlas or the Resulting Issuer's control.

Additional Requirements for Capital

Substantial additional financing may be required if the Resulting Issuer is to be successful with development of its business. No assurances can be given that the Resulting Issuer will be able to raise the additional capital that it may require for its anticipated future program of acquisitions and limited upgrades to facilities acquired through acquisitions on a strictly rationalisation basis. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Resulting Issuer, if at all. If the Resulting Issuer 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.

Absence of Cash Dividends

To date, the Resulting Issuer 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.

Business Development and Marketing Strategy

The Resulting Issuer has devised a business development and marketing strategy, which it will implement to expand its products and services based on assessment of management and current market conditions. Management anticipates that the Resulting Issuer's business development and marketing strategies will play a significant role in determining whether the Resulting Issuer can expand its products and services. There is no guarantee that the business development and marketing strategies of the Resulting Issuer will be successful.

Management of Growth

The inability of the Resulting Issuer to successfully manage its growth could have a material adverse effect on its operating results and cause its results of operations to fluctuate. As part of the Reporting Issuer'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 Reporting Issuer's expense levels are based, in part, on expected future revenues and the Reporting Issuer is constrained in its ability to reduce expenses quickly if for any reason its sales levels do not meet expectations in a particular quarter or period. Furthermore, rapid expansion may place a significant strain on the Reporting Issuer's senior management team and other key personnel as well as its business processes, operations and other resources. The Reporting Issuer'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 Reporting Issuer 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 Business.

Obsolescence

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

Business Development, Marketing and Sales Risk

Atlas and any Resulting Issuer'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 Atlas and any Resulting Issuer'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 Atlas and any Resulting Issuer's business in the future, or will generate awareness of the Resulting Issuer's products and services. In addition, no assurance can be given that Atlas and any Resulting Issuer will be able to manage Atlas and any Resulting Issuer's business development, marketing and sales costs on a cost-effective basis.

Uninsured or Uninsurable Risk

Atlas and any Resulting Issuer may become subject to liability for risks against which it cannot insure or against which Atlas and any Resulting Issuer 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 Atlas and any Resulting Issuer's usual business activities. Payment of liabilities for which Atlas and any Resulting Issuer does not carry insurance may have a material adverse effect on Atlas and any Resulting Issuer's financial position and operations.

Conflicts of Interest Risk

Certain of Atlas and any Resulting Issuer'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 Atlas and any Resulting Issuer'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 our best interests. However, in conflict of interest situations, Atlas and any Resulting Issuer's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to Atlas and any Resulting Issuer. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to Atlas and any Resulting Issuer.

Key Personnel Risk

Atlas and any Resulting Issuer's success will depend on its directors' and officers' ability to develop the Resulting Issuer's business and manage its operations, and on the Resulting Issuer'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 Atlas and any Resulting Issuer'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 Atlas and any Resulting Issuer will be able to attract or retain key personnel in the future, which may adversely impact Atlas and any Resulting Issuer's operations.

Going-Concern Risk

The financial statements of Atlas have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Resulting Issuer's future operations are dependent upon the achievement of on-going profitable operations. There can be no assurances that the Resulting Issuer will be successful in continuing to achieve profitability.

Brand Awareness

The Resulting Issuer's expansion of Atlas' 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 Resulting Issuer will be able to increase brand awareness. In addition, the Resulting Issuer must successfully develop a market for its products in order to sell its product. If the Resulting Issuer 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 Resulting Issuer.

Competition

The Resulting Issuer may face significant competition in selling its Atlas products and services. Many competitors may have substantial marketing, financial, development and personnel resources. To remain competitive, the Resulting Issuer believes that it must effectively and economically provide: (i) products and services that satisfy customer demands, (ii) superior customer service, (iii) high levels of quality and reliability, and (iv) dependable and efficient distribution networks. Increased competition may require the Resulting Issuer 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 Resulting Issuer's products or level of service to customers or any occurrence of a price war among the Resulting Issuer's competitors and the Resulting Issuer may adversely affect the business and results of operations.

Patent Infringement

While the Resulting Issuer believes that its products and operations will not violate the intellectual property rights of third parties, other parties could bring legal actions against the Resulting Issuer claiming damages and seeking to enjoin the marketing and sale of the Resulting Issuer's products for allegedly conflicting with patents held by them. Any such litigation could result in substantial cost to the Resulting Issuer 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 Resulting Issuer could be required to obtain a license in order to continue to market the affected products. There can be no assurance that the Resulting Issuer 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 Resulting Issuer's business. In addition, if the Resulting Issuer were to become involved in such litigation, it could consume a substantial portion of the Resulting Issuer's time and resources.

Cyber Security Risk

The Resulting Issuer relies on information technology systems and networks in its operations. The Resulting Issuer could be material and adversely affected in the event that 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 Reporting Issuer'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 Resulting Issuer believes it takes appropriate precautions in light of 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 our Business or results of operations.

Growth Risk

A key component of the Resulting Issuer'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 Resulting Issuer will be successful in growing its business or in managing its growth. The Resulting Issuer'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 Resulting Issuer will depend on its ability to implement, inter alia, 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.

Maintenance Obligations and Facility Disruptions

Atlas' manufacturing processes are vulnerable to operational problems that could impair the ability to manufacture products. Atlas 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.

Fluctuations in Prices and Demand for and Selling Price of Timber

Atlas' financial performance principally depends on the demand for and selling price of its products. The markets for timber products are cyclical which are subject to significant fluctuations. The markets for timber 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 Atlas' 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.

Dependence on the Housing, Construction, Repair and Remodelling Market

The demand for logs and wood products is primarily affected by the level of new residential 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 reduce demand for logs and wood products, resulting in lower revenues, profits and cash flows for lumber mills who are important customers to Acadian.

Product Liability Claims

Atlas produces engineered products and each product is stamped by a chartered engineer. Each of these stamped products is then inspected by and subject to the Building Plan and Permit which in turn is covered by new homes and buildings protection liability insurance policies.

Although the Resulting Issuer 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 distributes. 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 Resulting Issuer's expenses. Successful or partially successful product liability claims could result in significant monetary liability and could seriously disrupt the Business, particularly if the Resulting Issuer's insurance coverage was inadequate or unavailable in respect of any such claims.

Furthermore, a highly publicized actual or perceived problem with products that the Reporting Issuer distributes could adversely affect the market's perception of its products which may result in a decline in demand for products

distributed by the Resulting Issuer, thereby reducing the Resulting Issuer's revenues and operating results, which could have a material adverse effect on the Business.

Intellectual Property Protection

Atlas's intellectual property is protected primarily through trade secrets and copyright protection. Atlas 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, Atlas's trade secrets might otherwise become known or be independently developed by competitors. If Atlas's intellectual property cannot be protected, the business might be adversely affected.

Inability to Finance Acquisition Strategy

It is possible that the Resulting Issuer may need to raise additional funds by way of equity or debt financings or a combination of both or either, to pursue its acquisition strategy. If it is unable to raise additional funds when needed, its ability to execute its acquisition strategy could be impaired, which could lead to a material adverse impact on its business. The Resulting Issuer does not currently know whether it will be able to secure additional funding or funding on terms acceptable to the Resulting Issuer. The Resulting issuer's ability to obtain additional funding will be subject to a number of factors, including market conditions, investor sentiment and the Resulting Issuer's operating performance. These factors may take the timing, amount, terms and conditions of additional funding unattractive to the Resulting Issuer. If the Corporation were to issue additional Common Shares or other convertible securities, in connection with future acquisitions, existing shareholders may experience dilution.

Results of Operations and Financing Risks

Management believes, based on its expectations as to the future performance of Atlas or the Resulting Issuer, that the cash flow from its operations and funds available to it will be adequate to enable Atlas or the Resulting Issuer 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 Atlas or the Resulting Issuer. 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 Atlas or the Resulting Issuer reflect the current state of its information about recently acquired assets or entities, the operations related thereto and integration efforts, and there can be no assurance that such information is correct or complete in all material respects.

Global Economic Conditions

Current global economic conditions could have a negative effect on the Resulting Issuer's business and results of operations. Economic activity in North America and throughout much of the world has undergone a sudden, sharp economic downturn following the housing downturn and subprime lending collapse in both the United States and Europe and the recent collapse of commodity prices. Market disruptions have included extreme volatility in securities prices, as well as severely diminished liquidity and credit availability. The economic crisis may adversely affect the Resulting Issuer in a variety of ways. Access to lines of credit or the capital markets may be severely restricted, which may preclude the Resulting Issuer from raising funds required for operations and to fund continued development. It may be more difficult for the Resulting Issuer to complete strategic transactions with third parties. The financial and credit market turmoil could also negatively impact suppliers, customers and banks with whom the Resulting Issuer does business. Such developments could decrease the Resulting Issuer's ability to source, produce and distribute its products or obtain financing and could expose it to risk that one of its suppliers, customers or banks will be unable to meet their obligations under agreements with them.

While it is not possible to predict with certainty the duration or severity of the current downturn in financial, commodity and credit markets, if economic conditions continue to worsen, it is possible these factors could significantly impact the Resulting Issuer's financial conditions.

Smaller Companies

Market perception of smaller companies may change, potentially affecting the value of investors' holdings and the ability of the Resulting Issuer 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 Common Shares may go down as well as up and, in particular, 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.

Control of the Resulting Issuer Potentially in the Hands of a Small Number of Shareholders

Assuming closing of the Transaction and also assuming no participation by the Atlas Shareholders in the Financing, the Atlas Shareholders will own of record or beneficially, directly or indirectly, or exercise control or direction over in the aggregate approximately 25% of the Common Shares of the Resulting Issuer. As such, should the Atlas Shareholders determine to act in concert, they will have the ability to determine the outcome of matters submitted to the shareholders of the Resulting Issuer for approval, including the election and removal of directors, amendments to the Resulting Issuer's corporate governing documents and business combinations. The Resulting Issuer's interests and those of the shareholders may at times conflict, and this conflict might be resolved against the Resulting Issuer's interests. The concentration of control in the hands of a small number of individuals may practically preclude an unsolicited bid for the Resulting Issuer's Common Shares, and this may adversely impact the value and trading price of the Common Shares. See "Information Concerning the Resulting Issuer - Principal Securityholders".

Future Sales by Significant Shareholders

Following release of shares from the resale restrictions imposed by the terms of the Escrow Agreement, should the Atlas Shareholders 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 Resulting Issuer'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 Escrowed Securities are subject to certain release provisions as set forth in the section titled "Information Concerning the Resulting Issuer - Escrowed Securities".

PART I - INFORMATION CONCERNING ARCHER

CORPORATE STRUCTURE

Archer Petroleum Corp. ("Archer") was continued on October 31, 1984 under the *Business Corporations Act* (British Columbia).

The head office of Archer is located at Suite 880, 580 Hornby Street, Vancouver, BC V6C 3B6 and the registered office is located at Suite 704, 595 Howe Street, Vancouver, BC V6C 2T5.

GENERAL DEVELOPMENT OF BUSINESS

History

Overview of Business

Archer was previously engaged in oil and gas and mineral exploration. As of the date of this Filing Statement, Archer does not own an interest in any oil and gas or mineral properties and its sole activity has been to seek an alternative business.

The Common Shares of Archer are currently listed on the NEX Board of the Exchange under the symbol "ARK.H".

History of Archer

Fiscal Year Ended November 30, 2013

During the year ended November 30, 2013, Archer acquired the non-exclusive rights to a chemical for use in the recovery of bitumen and oil from oil and tar sands from Imperial Chemical Company ("ICC"). The trade name of the chemical is Sandklene 950. Archer also acquired the rights to the Davenport Property and partial rights to the Peak Project, both located in Kentucky, with the goal of using the Sandklene 950 product on oil and tar sands that are potentially located on those properties. Testing of commercial viability of Sandklene 950 was being performed on the Peak Project by ICC.

Fiscal Year Ended November 30, 2014

On April 16, 2014, Archer entered into a property option agreement to earn a 100% interest in the Kirkpatrick Lake Uranium Project, located in the north eastern Athabasca Basin, Saskatchewan (the "Kirkpatrick Project"). The Kirkpatrick Project, which covers an area of approximately 1270 hectares, lies on a line between two major uranium mines, approximately 13km southwest of the Cigar Lake Mine and approximately 27km northeast of the MacArthur River Mine.

Archer could earn a 100% interest in the Kirkpatrick Project by issuing 600,000 common shares to the vendor (issued at the fair value of \$93,000), by paying \$500,000 on or before October 16, 2015 and by completing \$2,000,000 in exploration expenditures on or before April 16, 2018. A 1% net smelter royalty has been granted to the vendor, which may be purchased by Archer for \$1,500,000.

Fiscal Year Ended November 30, 2015

As a result of the significant decline in oil and gas prices, Archer determined not to proceed with the development of Sandklene 950. At November 30, 2015, Archer wrote off all assets relating to the business venture, including the Davenport Property and Peak Project, located in Kentucky, U.S.

Archer also elected to write off the Kirkpatrick Lake Uranium Project. Archer decided not to proceed with the option agreement and Archer did not make the required cash option payment of \$500,000 on or before October 16, 2015.

Fiscal Year Ended November 30, 2016

On March 31, 2016, Archer entered into a termination agreement with Phoenix Metals, Inc., ICC and Aaron Wilson whereby the Company terminated the (i) chemical supply agreement dated February 23, 2013 and (ii) the sublicense agreement dated June 30, 2014. These agreements gave Archer certain rights to Sandklene 950. In consideration of the termination of those agreements, each of Phoenix Metals, Inc., Imperial Chemical Company and Aaron Wilson released and discharged Archer of any obligations under those agreements and any indebtedness owed to them. Accordingly, during the year ended November 30, 2016, Archer recorded a gain on debt settlement of \$188,799.

Subsequent to Fiscal Year Ended November 30, 2016

On April 20, 2017, Archer completed a non-brokered private placement of 9,000,000 common shares at a price of \$0.08 per share for total gross proceeds of \$720,000 (the "Financing"). Proceeds of the Financing were used to retire corporate indebtedness and working capital purposes.

On May 30, 2017, Colin Bowkett resigned as President and director of Archer and Aaron Wilson resigned as a director of Archer. To fill the vacancy, Archer appointed Guy Champagne as Chief Executive Officer and director of Archer. Also on May 30, 2017 Robert McMorran resigned as Chief Financial Officer of Archer, but remained as a director of Archer. To fill the vacancy, Archer appointed Carmen Amezcuita Hernandez as Chief Financial Officer of Archer.

Proposed Transaction

The Share Exchange Agreement

On September 12, 2017, Archer entered into the Share Exchange Agreement with Atlas and the Atlas Shareholders whereby Archer has agreed to acquire all of the issued and outstanding shares of Atlas. Under the terms of the Agreement, Archer will (A) pay the Atlas Shareholders a total of \$1,000,000 and (B) issue such number of shares to the Atlas Shareholders such that they hold twenty five percent (25%) of the issued and outstanding shares of Archer on closing of the Transaction and Financing. Currently, Archer anticipates that approximately 7,315,530 common shares of Archer (assuming completion of the minimum Financing) and up to 7,732,197 common shares of Archer (assuming completion of the maximum Financing) will be issued to the Atlas Shareholders.

Prior to closing of the Transaction, Archer will complete a non-brokered private placement financing of a minimum of 8,750,000 Resulting Issuer Shares and up to a maximum of 10,000,000 Resulting Issuer Shares at a price of \$0.40 per share for gross proceeds of a minimum of \$3,500,000 and up to a maximum of \$4,000,000. Proceeds of the Financing will be used for marketing Atlas' products, carrying out strategic acquisitions, the cash payment of \$1,000,000 to the Atlas Shareholders and general working capital purposes.

Following closing of the Transaction, Archer plans to change its name to "Atlas Engineered Products Ltd." and the common shares of Archer will be listed on the Exchange under the symbol "AEP".

The obligations of Archer and Atlas to complete the Transaction are subject to the satisfaction of customary conditions precedent including, but not limited to: (i) Exchange approval; (ii) the receipt of all necessary shareholder and board of director approvals; (iii) the completion of the Financing; (iv) the absence of any material breach of the representations, warranties and covenants made by each party to the other; and (vii) other conditions which are customary for a transaction such as the Transaction.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Financial Information

The following table sets forth selected financial information for Archer, summarized from its interim financial statements for the three months ended May 31, 2017 and the audited financial statements for the fiscal years ended November 30, 2016, 2015 and 2014. This selected financial information should be read in conjunction with

Archer's financial statements, including the notes thereto, which have been electronically filed with regulators by Archer and are available for viewing through the Internet at the SEDAR website (www.sedar.com) under Archer's issuer profile and are included in "Schedule A – Financial Statements of Archer".

| Financial Data | Six Months ended May 31, 2017 (unaudited) | Fiscal Year ended Nov. 30, 2016 (audited) | Fiscal Year ended Nov.30, 2015 (audited) | Fiscal Year ended Nov.30, 2014 (audited) |
|--|---|---|--|--|
| Total expenses | \$(51,179) | \$(115,158) | \$(292,567) | \$(2,510,613) |
| Net (loss) income | \$(10,877) | \$73,641 | \$(1,098,542) | \$(2,510,613) |
| Basic and diluted (loss) income per share | \$(0.00) | \$0.03 | \$(0.41) | \$(0.06) |

| Financial Data | As at May 31, 2017 (unaudited) | As at Nov. 30, 2016 (audited) | As at Nov.30, 2015 (audited) | As at Nov. 30, 2014 (audited) |
|--|--|---|--|---|
| Total assets | \$174,599 | \$1,448 | \$10,563 | \$977,436 |
| Total liabilities | \$(72,725) | \$(605,440) | \$(689,122) | \$(638,272) |
| Total shareholders' equity (deficiency) | \$101,874 | \$(603,992) | \$(678,559) | \$(339,164) |

Management's Discussion and Analysis

Archer's management's discussion and analysis provides an analysis of Archer's financial results for the six months ended May 31, 2017 and for the fiscal years ended November 30, 2016, 2015 and 2014, and should be read in conjunction with the financial statements for the relevant period and the notes thereto respectively. Archer's unaudited financial statements for the six months ended May 31, 2017 and audited financial statements for the fiscal years ended November 30, 2016, 2015 and 2014 are set forth in Schedule A of this Filing Statement, and management's discussion and analysis for the six months ended May 31, 2017 and the audited financial statements for the fiscal years ended November 30, 2016, 2015 and 2014 is set forth in Schedule B of this Filing Statement. See "Schedule A – Financial Statements Archer" and "Schedule B – Management's Discussion and Analysis for Archer."

Certain information included in Archer's Management's Discussion and Analysis is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements and Risks" for further detail.

DESCRIPTION OF THE SECURITIES

Securities

Archer is authorized to issue an unlimited number of Common Shares without nominal or par value. As at the date hereof, there are 11,709,091 Common Shares issued and outstanding as fully paid and non-assessable.

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of Archer and each Common Share shall confer the right to one vote in person or by proxy at all

meetings of the shareholders of Archer. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of Archer, are entitled to receive such dividends in any financial year as the board of directors of Archer may by resolution determine. In the event of the liquidation, dissolution or winding-up of Archer, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of Archer, the remaining property and assets of Archer. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

STOCK OPTION PLAN

Stock Option Plan

Archer has adopted an incentive stock option plan (the “Option Plan”). The purpose of the Stock Option Plan is to advance the interests of Archer by encouraging the directors, officers, employees, management company employees and consultants of Archer, and of its subsidiaries and affiliates, if any, to acquire Common Shares in the share capital of Archer, thereby increasing their proprietary interest in Archer, encouraging them to remain associated with Archer and furnishing them with additional incentive in their efforts on behalf of Archer in the conduct of its affairs. The Stock Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of Archer’s Common Shares issued and outstanding from time to time. The Stock Option Plan will be administered by Archer’s board of directors, which will have full and final authority with respect to the granting of all options thereunder.

Options may be granted under the Stock Option Plan to such service providers of Archer and its affiliates, if any, as the board of directors may from time to time designate. The exercise price of option grants will be determined by the board of directors, but after listing on the Exchange will not be less than the closing market price of the Common Shares on the Exchange less allowable discounts at the time of grant. The Stock Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Common Shares, if the individual is a director or officer, or 2% of the issued Common Shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Options Granted

Archer has the following options were outstanding entitling the holder there of the right to acquire one Common Share for each option held:

| Number of Options | Exercise Price | Exercise Date |
|--------------------------|-----------------------|----------------------|
| 125,000 | \$1.40 | November 28, 2019 |
| 82,556 | \$4.00 | February 14, 2023 |
| 5,000 | \$8.00 | April 9, 2023 |
| 212,556 | | |

PRIOR SALES

Prior Sales

During the last twelve months, Archer has issued the following Common Shares:

| Date | Number of Shares | Issue Price per Share | Aggregate Issue Price | Consideration Received |
|----------------|-------------------------|------------------------------|------------------------------|-------------------------------|
| April 20, 2017 | 9,000,000 | \$0.08 | \$720,000 | Cash |

Stock Exchange Price

The following table sets out the high and low monthly closing prices and the monthly volume traded of Archer's Common Shares on the Exchange.

| | High (\$) | Low (\$) | Volume |
|---------------------------------|------------------|-----------------|---------------|
| Quarter Ended May 31, 2017 | 0.440 | 0.05 | 342,170 |
| Quarter Ended February 28, 2017 | 0.25 | 0.05 | 138,450 |
| Quarter Ended November 30, 2016 | 0.195 | 0.115 | 283,151 |
| Quarter Ended August 31, 2016 | 0.20 | 0.105 | 147,755 |
| Quarter Ended May 31, 2016 | 0.25 | 0.14 | 262,667 |
| Quarter Ended February 28, 2016 | 0.30 | 0.20 | 187,019 |
| Quarter Ended November 30, 2015 | 0.10 | 0.10 | 34,186 |
| Quarter Ended August 31, 2015 | 0.20 | 0.10 | 57,944 |

ARM'S LENGTH PARTY TRANSACTION

The proposed Transaction is an Arm's Length Transaction.

LEGAL PROCEEDINGS

Archer is not currently a party to any legal proceedings, nor is Archer currently contemplating any legal proceedings. Management of Archer is currently not aware of any legal proceedings contemplated against Archer.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditor of Archer is Wolrige Mahon LLP at 900-400 Burrard Street, Vancouver, BC V6C 3B7. Wolridge Mahon LLP was appointed auditor of Archer on July 27, 2017 and prior to this the auditor of Archer was BDO Canada LLP at 925 W Georgia Street, #600, Vancouver, BC V6C 3L2.

The registrar and transfer agent of the Common Shares is Computershare Investor Services Inc. of Canada at 2nd Floor, 510 Burrard Street, Vancouver, BC V6C 3B9.

MATERIAL CONTRACTS

The following are the material contracts of Archer:

- (a) Share Exchange Agreement dated September 12, 2017 between Archer, Atlas See "*Part I – Information Concerning Archer – General Development of Business*".
- (b) Escrow Agreement to be entered into prior to closing among Archer, Computershare Investor Services Inc. and certain escrow security holders. See "*Part III – Information Concerning the Resulting Issuer - Escrowed Securities*".

Copies of the material contracts described above may be inspected at the registered office of Archer located at the offices of Northwest Law Group, solicitors of Archer, at Suite 704, 595 Howe Street, Vancouver, BC, during normal business hours until the date of the closing of the Transaction and for a period of 30 days thereafter.

PART II - INFORMATION CONCERNING THE TARGET

CORPORATE STRUCTURE

On July 31, 2017, Atlas Engineered Products Ltd. ("Atlas") was formed by amalgamation between Atlas Engineered Products Ltd. (which was incorporated on January 18, 1999) and Coastal Windows Ltd. (which was incorporated on April 17, 2001) pursuant to the Business Corporations Act (British Columbia).

The head office and registered and records office of Atlas is located at 2005 Boxwood Road, Nanaimo, BC V9S 5X9.

Atlas does not have any subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Atlas is a leading designer, manufacturer and distributor of engineered wood products, namely trusses, joists and beams, to the construction industry, specifically contractors and home builders, within the central Vancouver Island region, from its three-acre design and manufacturing centre in Nanaimo, British Columbia.

Atlas is one of five companies on Vancouver Island who service different geographical catchments of the market but each company provides similar services and products to their individual regions. To differentiate itself from its competitors; Atlas has invested in advanced technology to produce high quality engineered wood products and use computerized state-of-the-art equipment to enhance efficiencies and scalability of its operations.

Atlas is a long time member of Western Wood Truss Association of B.C. ("WWTA") and is certified under WWTA's Comprehensive Quality Certification Program.

Atlas has worked closely with its affiliated company, Coastal Windows Ltd. since September 2014. Coastal is a leading designer and manufacturer of custom doors and windows for clients on Vancouver Island.

See "*Part II – Information Concerning the Target – Narrative Description of Business – Principal Products and Services*" and "*Part II – Information Concerning the Target – Narrative Description of Business – Future Developments*".

History

Since Atlas's incorporation, Atlas has become a leader in the design and manufacturing of trusses and other engineered wood products, to the construction industry, specifically contractors and home builders, within the central Vancouver Island region, from its state-of-the-art manufacturing facilities located at 2005 Boxwood Road, in Nanaimo, British Columbia.

During the last three years, Atlas has significantly grown its business by increasing sales by attracting new customers and increasing production

In fiscal year 2016, Atlas had gross revenues of \$5,638,788 with cost of sales \$4,551,463, gross profits of \$1,087,325, general and administrative expenses of \$621,846, net income of \$369,465 and retained earnings of \$314,052.

In fiscal year 2017, Atlas had gross revenues of \$8,076,027 with cost of sales of \$5,987,828, gross profits of \$2,088,199, general and administrative expenses of \$1,541,905, net loss of \$739,043 and an accumulated deficit of \$424,991.

On May 31, 2017, 119866 acquired certain assets of Coastal. 119866 changed its name to Coastal Windows Ltd. on August 1, 2017 and has continued to operate the manufacturing and distribution of custom doors and windows since May 31, 2017.

On August 9, 2017, Atlas issued Exchangeable Notes in the principal amount \$147,500, of which Brisio Innovations Inc. subscribed for \$97,500 and Guy Champagne, CEO of Archer, subscribed for \$50,000. The principal amount of the Exchangeable Note is exchangeable into units at a price of \$0.20 per unit. Each unit consists of one Resulting Issuer Share and one share purchase warrant, with each warrant entitling the holder to purchase one additional Resulting Issuer Share at a price of \$0.40 per share price.

On August 9, 2017, Atlas issued an Exchangeable Note in the principal amount of \$150,000 to Gurmit Dhaliwal. The principal amount of the Exchangeable Note is exchangeable into Resulting Issuer Share at a price of \$0.20 per Resulting Issuer Share.

On September 12, 2017, Archer, Atlas and the Atlas Shareholders entered into the Share Exchange Agreement in which Archer agreed to acquire all the issued and outstanding shares of Atlas. See "Part I – Information Concerning Archer – General Development of Business – Proposed Transaction".

Significant Acquisitions and Dispositions

Not Applicable.

NARRATIVE DESCRIPTION OF THE BUSINESS

Principal Products and Services

Atlas undertakes custom design, manufacture and distribution of trusses and other engineered wood products for the construction industry, contractors and home builders on Vancouver Island.

Operations

Founded in 1999, at its three acre manufacturing facility located at 2005 Boxwood Road, Nanaimo, British Columbia, Atlas has become the leading designer, manufacturer and distributor of trusses and other engineered products for customers in Nanaimo and central Vancouver Island. All Atlas products are certified under Western Wood Truss Association's comprehensive Quality Certification Program.

Atlas has invested in computerized, state-of-the-art equipment to improve and streamline its design and manufacturing processes to assist in the production of its products. This state-of-the-art equipment includes the following:

- **Auto 8/10™**, offers an extremely fast pressing and travel time with a powerful 50-ton pressing capacity. Further, its easy-to-use jig hardware make it an ideal choice for smaller trusses, hips jacks and floor trusses. Auto 8/10™ handles 2x4 and 4x2 trusses with no adjustment and comes complete with roof truss jiggling that fits in the J-slots running across the table.
- **Jack Rabbit®**, which is a coil-fed joint assembly machine, is the fastest, most efficient way to produce multiple jack trusses and works with most production materials, hardwoods, softwoods, plywood, OSB and high-density plastics. There is no cutting or nailing, production table slides in and out to allow for accurate line on truss components and plating and pressing are automatically initiated and completed. Jack Rabbit® machine has touch screen for set and coil-fed plates on press head and gear-driven plate drive system with automatic shear;
- **Auto Roll 14TR machine** is designed for truss assembly and re-embedment to maximize productivity and has interchangeable press heads with Auto Press LT to integrate press and roll machinery.

Engineered Products

Atlas distributes engineered products such as iLevel®, Trus Joist®, TimberStrand®, LSL, Microllam® LVL and Parallam® PSL.

Design and Product Manufacturing

Atlas has invested in advanced technology such as 3-D modelling, a design software tool used to design truss layouts and truss plans, and software applications such as Javelin® Structural Frame design software that creates an optimized frames.

Product Production

Atlas designs, manufactures and ships its truss and engineered wood products from its manufacturing facility at 2005 Boxwood Road, Nanaimo, British Columbia

Atlas is a member of Western Wood Truss Association (“WWTA”) and is compliant and certified under WWTA’s comprehensive Quality Certification Program.

Atlas also is continually introducing new state-of-the-art equipment and advanced technology to improve efficiencies and effectiveness of its design and manufacturing systems, and methods and expanding its product line.

Product Capacity

Atlas currently operates with one (1) shift but it has the capacity to increase production by two (2) additional shifts, with the recruitment of additional labour.

Specialized Skill and Knowledge

Atlas’s qualified staff of 40 people are engaged in its design and manufacturing process and have significant design and trade experience and qualifications. Atlas brings almost 20 years of experience in the design and manufacture of trusses and engineered wood products.

Atlas continues to implement new advanced technology and state-of-the-art equipment to improve and enhance product design, manufacture and installation.

Intellectual Property

Atlas has licensed both system, equipment and application solutions to enhance its design and manufacturing capacity and capability and has developed series of proprietary processes, methods and procedures in its design and manufacturing systems, equipment and applications. Its initial intellectual property strategy has been to protect its intellectual property primarily through a combination of trade secrets and copyright. See also “Risk Factors”.

Seasonality

Atlas’ operations are not subject to seasonality.

Changes to Contracts

Atlas uses a standard quoting and purchase order with all customers for its trusses and engineered wood products.

Regulatory Environment

Atlas is in compliance with all federal and provincial regulations regarding the on-going operation of its manufacturing facilities and delivery of all its products and services.

Atlas focus on safety and workplace hazard mitigation is not limited to capital projects, but also includes reinforcement of workplace safety with all employees committed to improving safety in the workplace and commitment of increased resources to enhance safety leadership, safety innovation and maintenance.

Foreign Operations

Atlas currently conducts operations in Canada and distributes and offers its products and services on Vancouver Island. As such, it does not anticipate any risks associated with foreign operations.

Market for Products

Market Segment and Geographic Areas

The truss and engineered wood products market on Vancouver Island is worth in excess of \$25 million and between \$250-\$300 million in British Columbia. There are a number of other truss and engineered wood products manufacturing companies on Vancouver Island however other companies in this market do not use the same degree of advanced technology and state-of-the-art equipment to improve and enhance design and manufacturing efficiencies. Thus, there are substantial opportunities for accretion, consolidation and merger in Vancouver Island and rest of British Columbia, Alberta and Saskatchewan based on these efficiencies.

Growth drivers in the truss and engineered wood products market are as follows:

- Emergence of innovative design applications and state-of-the-art equipment
- Continuing demand for construction. The continued desire for construction for the retirement market across Vancouver Island and British Columbia continues to drive demand for Atlas' products.

Due to the nature and size of trusses there is a geographical radius within which it is logistically feasible to transport trusses from and to. Accordingly, it is not possible for one production site alone to service a wide area and this is what has led to the silo effect of companies within this market. As a result, the market is highly fragmented and served by numerous small companies. Therefore, Atlas believes that it can capitalize on its state-of-the-art processes to gain a stronger market position compared to its competitors.

To date, Atlas has focused on delivering products and services to the construction industry, contractors and home builders of Vancouver Island.

Market Acceptance

Atlas has long standing and strong relationships with the Vancouver Island construction industry and local contractors including a strong acceptance of its customized truss and engineered wood products in the market. Atlas' customers generally make purchasing decisions based on price, quality and service. Through their focus on product consistency, market knowledge, customer service and superior logistical capabilities, Atlas believes they have established a loyal customer base since commencing operations. Atlas believes that the market acceptance of its products will continue as it organically grows its business, exploits business development in new markets and through merger and acquisition opportunities to support long-term growth.

Marketing Plan and Business Strategies

Atlas is a profitable going concern and leader in its market as a result of its singular focus on investment in advanced technology and state-of-the art equipment, operational efficiencies, excellence in customer relations, and quality controls.

Atlas has established distinct and very solid competitive advantages.

- Accumulated design and manufacturing know-how and deep operational expertise;
- Proven design and manufacturing capabilities;
- Strong market recognition;
- Scalability of operations;
- Operational practices and methods that are replicable; and
- An accumulated inventory of marketable products.

Atlas continues to be growth oriented and plans to achieve this goal by pursuing business combinations that are accretive to its operations as a result of expanded design and manufacturing capability, increased sales and distribution capabilities and economies of scale from the combined operations.

To achieve this strategy, Atlas will be pursuing the following strategic priorities:

- expanding our market share within the segments where we currently compete;
- expanding our market share nationally and internationally; and
- improving margins and top-line sales through any of the following: strategic partnerships, joint-ventures or acquisitions.

Competitive Conditions

The markets for Atlas' truss and engineered wood products are highly competitive on a global basis, and producers compete generally on price, quality and service. Factors influencing Atlas' competitive position include, among others, the availability, quality and cost of raw materials, energy and labour, and the efficiency and productivity of our manufacturing plants in relation to their competitors. Like others in the Canadian forest products industry, Atlas competes in an international market subject to currency fluctuations and global business conditions.

The truss and engineered wood products market on Vancouver Island is highly fragmented and served by numerous small suppliers of a similar size and scale to Atlas, and no single company appears to dominate the field. The rural nature of Vancouver Island and other areas across British Columbia have less competition because of their geographical area and this means they have a restricted radius of influence within which they can ship their products. Conversely, in metropolitan areas such as Vancouver, the market is highly competitive because there is a greater cluster of producers. Atlas believes their competitive strength includes positive relations with suppliers, low asset acquisition costs and a committed board of directors and management team. Atlas also believes that its logistic and distribution services are of particular strength compared to its competitors' due to the processes they have developed to schedule their shipments and utilize the truck fleet that they own, operate and manage.

Future Developments

Atlas has an acquisition strategy to increase its sales and profitability that includes:

- economies of scale;
- greater efficiencies in manufacturing;
- increase number of facilities and production capacity;
- utilize design technology in each market; and
- greater operational system efficiencies.

Atlas will continue to license or develop advanced technology and state-of-the-art equipment to improve and enhance its design and manufacturing systems and facilities. titled "*Part II – Information Concerning the Target - Narrative Description of Business – Principal Products and Service*".

Bankruptcy and Similar Procedures

Atlas does not have any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings within the three most recently completed financial years or completed during or proposed for the current financial year.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The following sets forth the selected consolidated annual information of Atlas for the fiscal years ended May 31, 2017 and 2016. All amounts are expressed in Canadian dollars.

| Financial Data | Fiscal Year Ended May 31, 2017 (audited) | Fiscal Year ended May 31, 2016 (unaudited) |
|---|---|---|
| Revenue | \$8,076,027 | \$5,638,788 |
| Cost of Sales | \$(5,987,828) | \$(4,551,463) |
| Gross Profit | \$2,088,199 | \$1,087,325 |
| Operating Income | \$1,541,905 | \$621,846 |
| Net income (loss) | \$(739,043) | \$369,465 |
| Basic and diluted (loss) income per share | \$(732) | \$366 |

| Financial Data | As at May 31, 2017 (audited) | As at May 31, 2016 (unaudited) | As at June 1, 2015 (unaudited) |
|----------------------------|---|---|---|
| Total assets | \$3,658,553 | \$4,528,648 | \$2,681,043 |
| Total liabilities | \$4,083,443 | \$4,214,495 | \$2,736,355 |
| Total shareholders' equity | \$(424,890) | \$314,153 | \$(55,312) |

Management's Discussion and Analysis for Fiscal Years Ended May 31, 2017 and 2016

Atlas's management's discussion and analysis provides an analysis of Atlas's financial results for the fiscal years ended May 31, 2017 and 2016 and should be read in conjunction with the financial statements for the relevant period and the notes thereto respectively. Atlas's audited financial statements for the fiscal year ended May 31, 2017 and 2016, are set forth in Schedule C of this Filing Statement, and management's discussion and analysis for the fiscal years ended May 31, 2017 and 2016 is set forth in Schedule D of this Filing Statement. See "*Schedule C – Financial Statements Atlas*" and "*Schedule D – Management's Discussion and Analysis for Atlas*."

DESCRIPTION OF THE SECURITIES

Atlas is authorized to issue 1,000 "A" Common voting shares with a par value of \$0.10 for each share; 1,000 "A1" Common voting shares with a par value of \$0.10 for each share; 1,000 "A2" Common voting shares with a par value of \$0.10; 1000 "B" Common non-voting shares with a par value of \$0.10 for each share; 1,000,000 "C" Preference non-voting shares with a par value of \$0.01 for each share; 1,000,000 "D" Preference shares with a par value of \$0.01 for each share; and an unlimited number Class E Preference shares without par value.

As at the date hereof, there are 10 Class A, with a par value of \$0.10 for each share; 100 "A1" Common voting shares with a par value of \$0.10 and 100 "A-2" Common voting shares with a par value of \$0.10 and 1,000 Class B Common shares and 2,000 Class D Preference shares issued and outstanding as fully paid and non-assessable (collectively, the "Atlas Shares").

The holders of the "A" common shares, "A1" common shares, "A2" common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of Atlas and each "A" common share, "A1" common

share, "A2" common share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of Atlas. The holders of the "A" common shares, "A1" common shares, "A2" common shares subject to the prior rights, of any other class of preferred shares of Atlas, are entitled to receive such dividends and to have the shares redeemed in any financial year as the board of directors of Atlas may by resolution determine. In the event of the liquidation, dissolution or winding-up of Atlas, whether voluntary or involuntary, the holders of "A" common shares, "A1" common shares, "A2" common shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of Atlas, the remaining property and assets of Atlas.

The holders of the common and Class Preference D shares and Class D Preference shares are not entitled to vote at the meetings of the common shareholders of Atlas. The holders of the Class Preference D shares and Class D Preference shares are entitled to receive such dividends in priority to the "A" Common, "A1" Common and "A2" Common shares and to have the shares redeemed in any financial year as the board of directors of Atlas may by resolution determine. In the event of the liquidation, dissolution or winding-up of Atlas, whether voluntary or involuntary, the holders of the Class Preference D shares and Class D Preference shares paid up capital and any dividends prior to distribution of the remaining property and assets of Atlas to Common shares.

CONSOLIDATED CAPITALIZATION

| Designation of Security | Amount Authorized or to be Authorized | Amount Outstanding as at May 31, 2017 | Amount Outstanding as of the date of this Filing Statement |
|----------------------------------|---------------------------------------|---------------------------------------|--|
| Class "A" Common | 1,000 | 10 | 10 |
| Class "A1" Common | 1,000 | - | 100 |
| Class "A2" Common | 1,000 | - | 100 |
| Class B Common | 1,000 | 1,000 | 1,000 |
| Class C Preference | 1,000,000 | Nil | Nil |
| Class D Preference | 1,000,000 | 2,000 | 2,000 |
| Class E Preference | Unlimited | Nil | Nil |
| Stock Options | Not Applicable | Nil | Nil |
| Exchangeable Note ⁽¹⁾ | Not Applicable | Nil | \$297,500 |

Note:

- (1) The holders of the exchangeable notes may exchange principal amount of the note as follows: (i) in respect of \$150,000 of the notes, for 750,000 common shares of the Resulting Issuer, and (ii) in respect of \$147,500 of the notes, for 737,500 units of the Resulting Issuer. Each unit will be comprised of one common share of the Resulting Issuer and one share purchase warrant. Each share purchase warrant will be exercisable into one additional common share at a price of \$0.40 per share for a period of one year from the date of issuance of the warrants.

PRIOR SALES

During the prior twelve months, Atlas has issued the following securities:

- (a) On August 9, 2017, Atlas issued Exchangeable Notes in the principal amount \$147,500, of which Brisio Innovations Inc. subscribed for \$97,500 and Guy Champagne, CEO of Archer, subscribed for \$50,000. The principal amount of the Exchangeable Note is exchangeable into units at a price of \$0.20 per unit. Each unit consists of one Resulting Issuer Share and one share purchase warrant, with each warrant entitling the holder to purchase one additional Resulting Issuer Share at a price of \$0.40 per share price.
- (b) On August 9, 2017, Atlas issued an Exchangeable Note in the principal amount of \$150,000 to Gurmit Dhaliwal. The principal amount of the Exchangeable Note is exchangeable into Resulting Issuer Share at a price of \$0.20 per Resulting Issuer Share.

STOCK EXCHANGE PRICE

None of the securities of Atlas are, or have been, posted for listing on any stock exchange.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Atlas's executive compensation program during the most recently completed financial year ended May 31, 2017 was administered by Atlas's Board of Directors. The Board of Directors was solely responsible for determining the compensation to be paid to Atlas's executive officers and evaluating their performance. The Board of Directors has not adopted any specific policies or objective for determining the amount or extent of compensation for directors or officers.

Significant Elements

The significant element of compensation awarded to the Named Executive Officers is a cash salary. Atlas does not presently have a long-term incentive plan for its Named Executive Officers. There is no policy or target regarding allocation between cash and non-cash elements of Atlas's compensation program. The Board of Directors is solely responsible for determining compensation to be paid to Atlas's Named Executive Officers. In addition, the Board of Directors reviews annually the total compensation package of each of Atlas's executives on an individual basis.

In setting compensation rates for Named Executive Officers, Atlas compares the amounts paid to them with the amounts paid to executives in comparable positions at other comparable corporations. Atlas's compensation payable to the Named Executive Officers is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each Named Executive Officer and varies with the amount of time spent by each Named Executive Officer in carrying out his or her functions on behalf of Atlas.

Management Services Agreements

Atlas entered into an management service agreement with its Chief Executive Officer and Founder, Hadi Abassi on August 1, 2017 with a salary of \$250,000. Atlas entered into a formal employment agreement with its General Manager, Gurmit Dhaliwal dated effective August 1, 2017 whereby Atlas agreed to pay Ms. Dhaliwal an annual salary of \$120,000. Management agreement with Chief Executive Officer and General Manager provide for termination with two years notice.

Summary Compensation Table

The following table sets forth information about compensation paid to, or earned by, Atlas's Named Executive Officers during the fiscal years ended May 31, 2017, 2016 and 2015:

| Name and Principal Position | Year | Salary (\$) | Share-Based Awards (\$) | Option-Based Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | | Pension Value (\$) | All Other Compensation (\$) | Total Compensation (\$) |
|-------------------------------------|------|-------------|-------------------------|--------------------------|---|---------------------------|--------------------|-----------------------------|-------------------------|
| | | | | | Annual Incentive Plans | Long-Term Incentive Plans | | | |
| Hadi Abassi CEO and President | 2017 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | 2016 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | 2015 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

| | | | | | | | | | |
|-----------------|------|--------|-----|-----|-----|-----|-----|-----|--------|
| Gurmit Dhaliwal | 2017 | 84,136 | Nil | Nil | Nil | Nil | Nil | Nil | 84,136 |
| | 2016 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| General Manager | 2015 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

Incentive Plan Awards

As at May 31, 2017, Atlas had no outstanding share based or option based awards.

Pension or Contribution Plan Benefits

As at May 31, 2017, Atlas had no outstanding pension plan or contribution plan benefits.

Deferred Compensation Plans

As at May 31, 2017, Atlas had no deferred compensation plans.

Termination and Change of Control Benefits

Atlas has a management services agreement with its Chief Executive Officer and President, Hadi Abassi and General Manager, Gurmit Dhaliwal that includes a two year severance payment upon termination for any reason except just cause. Atlas has no other contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer, at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of Atlas or a change in the Named Executive Officer's responsibilities.

DIRECTOR COMPENSATION

As of May 31, 2017, 2016 and 2015, Atlas has not provided any compensation to its directors for services provided as a director.

NON-ARM'S LENGTH PARTY TRANSACTIONS

Except as disclosed below and set forth under the section titled "*Part II – Information Concerning the Target – Executive Compensation*", Atlas has not since its incorporation entered into any transactions with non-arm's length parties has not obtained assets or services from: (i) any director, officer or promoter of Atlas, (ii) a 10% shareholder of Atlas, or (iii) an Associate or Affiliate of the persons referred to in paragraphs (i) and (ii).

The following sets forth the executive compensation of Atlas's directors and officers:

1. Mr. Abassi serves as Atlas's Chief Executive Officer and, in consideration of which, Atlas pays Mr. Abassi \$250,000 per annum. See "*Part II – Information Concerning the Target – Executive Compensation*".
2. Ms. Dhaliwal serves as Atlas's General Manager and, in consideration of which, Atlas pays Ms. Dhaliwal \$120,000 per annum. See "*Part II – Information Concerning the Target – Executive Compensation*".

LEGAL PROCEEDINGS

Atlas is not currently a party to any legal proceedings, nor is Atlas currently contemplating any legal proceedings. Management of Atlas is currently not aware of any legal proceedings contemplated against Atlas.

MATERIAL CONTRACTS

The following are the material contracts of Atlas entered into since the date of its inception:

1. Lease Agreement between 1053567 B.C. Ltd., a company controlled by Mr. Abassi, and Atlas Engineered Products Ltd., dated January 15, 2016. Under the terms of the Lease Agreement, Atlas leases its premises at a base rental fee of \$22,000 per month until January 14, 2021.
2. Management Agreement between Atlas and Hadi Abassi dated August 1, 2017.
3. Management Agreement between Atlas and Gurmit Dhaliwal dated August 1, 2017.
4. Share Exchange Agreement dated September 12, 2017 between Archer, Atlas, and Certain Shareholders of Atlas. See "*Part I – Information Concerning Archer – General Development of Business*".
5. Escrow Agreement to be entered into prior to closing among Archer, Computershare Investor Services Inc. and certain escrow security holders. See "*Part III – Information Concerning the Resulting Issuer - Escrowed Securities*".

PART III - INFORMATION CONCERNING THE RESULTING ISSUER

Information contained in this Part III is forwarding looking in nature and assumes the completion of the Transaction. See “*Cautionary Statement Regarding Forward Looking Statements*”.

CORPORATE STRUCTURE

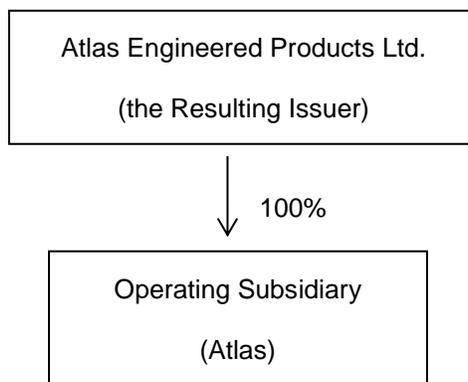
Name and Incorporation

Following the completion of the proposed Transaction, it is anticipated that the Resulting Issuer will file a notice of alteration to change its name to “Atlas Engineered Products Ltd.”, or such other name as may be determined in the sole discretion of Archer’s board of directors. The Resulting Issuer’s head office will be located at 2005 Boxwood Road, Nanaimo, BC V9S 5X9 and its registered office will be at Suite 704, 595 West Georgia Street, Vancouver, BC, V6C 2T5.

The Resulting Issuer will continue to be incorporated pursuant to the *Business Corporations Act* (British Columbia).

Intercorporate Relationship

Following completion of the Transaction, the Resulting Issuer will be the sole shareholder of Atlas, which will be renamed as a numbered company. A diagram of the Resulting Issuer’s intercorporate relationship is provided below.



NARRATIVE DESCRIPTION OF THE BUSINESS

Upon completion of the Transaction, the Resulting Issuer’s business will be in the development, sale and marketing of the trusses and engineered wood products and will be listed as a Tier 2 industrial company on the Exchange.

Business Objectives

Short and Mid Term Business Objectives

The Resulting Issuer’s short term business objective is to finalize the development of new strategic plan to grow and expand the commercial opportunities. In order to implement this objective, the Resulting Issuer plans to:

Short Term (1 to 3 quarters after closing of the Transaction)

- To achieve thirty percent increase in top-line sales and complete three to four acquisitions on Vancouver Island.

Mid Term (3 to 6 quarters after closing of the Transaction)

- To achieve thirty percent increase in top-line sales and complete two to three acquisitions within Canada.

Long Term Business Objectives

The Resulting Issuer's long term objectives focus on long-term strategic plan execution which will flow out of the short-term and near-term priorities focusing on our goals and objectives for the next three years. This phase of the strategy will look to improve margins and rapidly expand top-line sales through any of the following: strategic partnerships, joint-ventures or acquisitions.

The Resulting Issuer anticipates that these objectives will be completed within next six to forty-eight months of closing of the Transaction.

The Resulting Issuer's long term objectives may be subject to raising additional financing. See "*Part II – Information Concerning The Target Company*".

DESCRIPTION OF THE SECURITIES

Upon completion of the proposed Transaction, the share structure of the Resulting Issuer will be the same as Archer. See "*Part I - Information Concerning Archer – Description of the Securities*".

PRO FORMA CONSOLIDATED CAPITALIZATION

Pro Forma Consolidated Capitalization

The following table represents select particulars of the share and loan capital of the Resulting Issuer following the completion of the Transaction.

| Designation of Security | Amount Authorized or to be Authorized | Amount to be Outstanding After Giving Effect to the Transaction and Minimum Financing | Amount to be Outstanding After Giving Effect to the Transaction and Maximum Financing |
|---|--|--|--|
| Common Shares | Unlimited | 27,774,621 | 29,441,288 |
| Exchangeable Note Shares ⁽¹⁾ | N/A | 1,487,500 | 1,487,500 |
| Warrants ⁽¹⁾ | N/A | 737,500 | 737,500 |
| Options ⁽²⁾ | N/A | 1,750,000 | 1,750,000 |

Notes:

- (1) The holders of the exchangeable notes may exchange principal amount of the note as follows: (i) in respect of \$150,000 of the notes, for 750,000 common shares of the Resulting Issuer, and (ii) in respect of \$147,500 of the notes, for 737,500 units of the Resulting Issuer. Each unit will be comprised of one common share of the Resulting Issuer and one share purchase warrant. Each share purchase warrant will be exercisable into one additional common share at a price of \$0.40 per share for a period of one year from the date of issuance of the warrants.
- (2) Each stock option will be exercisable at a price of \$0.40 per share for a period of five years from the date of the Final Exchange Bulletin.

Fully Diluted Share Capital

The following table summarizes the securities of the Resulting Issuer to be issued and outstanding following the completion of the Transaction:

| Description | Number of Securities On Completion of Transaction and Minimum Financing | Percentage of Total | Number of Securities On Completion of Transaction and Maximum Financing | Percentage of Total |
|--|---|---------------------|---|---------------------|
| Common Shares issued and outstanding as at date of this Filing Statement | 11,709,091 | 36.88% | 11,709,091 | 35.04% |
| Common Shares issued pursuant to the Transaction | 7,315,530 | 23.04% | 7,732,197 | 23.14% |
| Common Shares under Financing | 8,750,000 | 27.56% | 10,000,000 | 29.93% |
| Securities Reserved for Future Issue: | | | | |
| Shares issued under the Exchangeable Note ⁽¹⁾ | 1,487,500 | 4.69% | 1,487,500 | 4.45% |
| Warrants issued under the Exchangeable Note ⁽¹⁾ | 737,500 | 2.32% | 737,500 | 2.21% |
| Stock Options granted on closing of the Transaction ⁽²⁾ | 1,750,000 | 5.51% | 1,750,000 | 5.24% |
| Total | 31,749,621 | 100% | 33,416,288 | 100% |

Notes:

- (1) The holders of the exchangeable notes may exchange principal amount of the note as follows: (i) in respect of \$150,000 of the notes, for 750,000 common shares of the Resulting Issuer, and (ii) in respect of \$147,500 of the notes, for 737,500 units of the Resulting Issuer. Each unit will be comprised of one common share of the Resulting Issuer and one share purchase warrant. Each share purchase warrant will be exercisable into one additional common share at a price of \$0.40 per share for a period of one year from the date of issuance of the warrants.
- (2) Each stock option will be exercisable at a price of \$0.40 per share for a period of five years from the date of the Final Exchange Bulletin.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Funds Available

The following is a breakdown of the funds that will be available to the Resulting Issuer (the "Available Funds") upon completion of the Transaction:

| Source of Funds | Available Funds upon completion of the Transaction and the Minimum Financing (\$) | Available Funds upon completion of the Transaction and the Maximum Financing (\$) |
|--|---|---|
| Estimated working capital of Archer as at September 30, 2017 | 67,150 | 67,150 |
| Estimated working capital of Atlas as at September 30, 2017 ⁽¹⁾ | (295,808) | (295,808) |
| Balance of costs of Transaction | (100,000) | (100,000) |
| Net Proceeds of Financing | 3,350,000 | 3,850,000 |
| Total | 3,021,342 | 3,521,342 |

Note:

- (1) Amount excludes preferred share current liability of \$1,000,000 as such amount will be consolidated following closing of the Transaction.

Dividends

The holders of the Resulting Issuer's Common Shares are entitled to dividends, if, as and when declared by the board of directors. To date, the Resulting Issuer has not paid any dividends on its outstanding Common Shares and does not anticipate the payment of any dividends on its Common Shares for the foreseeable future.

Principal Purposes

The Resulting Issuer intends to use the Available Funds for the following purposes:

| Use of Funds | Completion of the Minimum Financing Amount (\$) | Completion of the Maximum Financing Amount (\$) |
|--|--|--|
| Business Development to Increase Top-Line Sales by 30% and Review Strategic Acquisitions | 1,000,000 | 1,000,000 |
| Cash Purchase Price under Share Exchange Agreement | 1,000,000 | 1,000,000 |
| Unallocated Working Capital ⁽¹⁾ | 1,021,342 | 1,521,342 |
| Total | 3,021,342 | 3,521,342 |

Note:

- (1) The Resulting Issuer anticipates unallocated working capital to be used for potential accretive acquisitions, forming joint ventures and strategic alliances and pursuing additional organic growth.

The Resulting Issuer anticipates that its revenues will cover its costs of sales and general and administrative expenses over the next twelve months.

PRINCIPAL SECURITYHOLDERS

The following table lists those persons who will own of record or beneficially, directly or indirectly, or exercise control or discretion over, 10% or more of the issued and outstanding Common Shares of the Resulting Issuer following completion of the Transaction:

| Name and Municipality of Residence | Type of Ownership | Number of Shares Held upon Completion of the Transaction and Minimum Financing | Percentage of Shares Held⁽¹⁾ | Number of Shares Held upon Completion of the Transaction and Maximum Financing | Percentage of Shares Held⁽²⁾ |
|---|--------------------------|---|--|---|--|
| Hadi Abassi ⁽³⁾ , BC | Direct and Indirect | 5,943,584 | 21.40% | 6,282,109 | 21.34% |

Note:

- (1) Assuming completion of the minimum Financing and no common shares are purchased by the above noted person under the Financing, and assuming exercise of all of the stock options on a fully diluted basis, Mr. Abassi will hold directly and indirectly 20.29% of the issued and outstanding common shares.
- (2) Assuming completion of the maximum Financing and no common shares are purchased by the above noted person under the Financing, and assuming exercise of all of the stock options on a fully diluted basis, Mr. Abassi will hold directly and indirectly 20.29% of the issued and outstanding common shares.
- (3) Assuming completion of the minimum Financing, the amount includes 4,120,398 shares held directly by Mr. Abassi and 1,823,185 shares beneficially owned through an indirect holding of Hadi Abassi, Trustee of the Abassi Family Trust, and assuming completion of the maximum Financing, the amount includes 4,355,082 shares held directly by Mr. Abassi and 1,927,027 shares beneficially owned through an indirect holding of Hadi Abassi, Trustee of the Abassi Family Trust.

DIRECTORS, OFFICERS AND PROMOTERS

Name, Address, Occupation and Security Holding

The following table sets out the names of the proposed directors and officers of the Resulting Issuer, the municipalities of residence, their principal occupations during the past five years and the number of shares of the Resulting Issuer beneficially owned, directly or indirectly, or over which control is exercised following completion of the Transaction and Financing.

| Name, Municipality of Residence and Position | Principal Occupation for Past Five Years | Common Shares Held Assuming Minimum Financing ⁽²⁾⁽³⁾ | Percentage of Shares | Common Shares Held Assuming Maximum Financing ⁽²⁾⁽³⁾ | Percentage of Shares |
|--|---|---|-------------------------|---|-------------------------|
| Hadi Abbasi CEO and Director Nanaimo, BC | Founder and President and CEO of Atlas Group of Companies, | 5,943,584 (Direct and Indirect) | 21.4% | 6,282,109 (Direct and Indirect) | 21.3% |
| Guy Champagne ⁽¹⁾ President and Director Fanny Bay, BC | President of Aequitor Inc.; former Vice-President of Real Estate Webmasters Inc., Director of ImmunoPrecise Antibodies Ltd. (TSXV: IPA); Director of Seahawk Ventures (CNSX:SHX); Director of Silo Technologies Inc. | 1,000,000 (Direct) | 3.6% | 1,000,000 (Direct) | 3.6% |
| Carmen Amezcua-Hernandez CFO Port Coquitlam, BC | Consultant at Malaspina Consultants Inc. since April 2015, Principal of Amezcua Management, CFO of Silver One Resources Inc. (TSXV: SVE); Controller for various junior resource issuers since August 2011. | Nil | Nil | Nil | Nil |
| Roy Dondale Vice President, Operations Prince George, BC | Vice President of Operation at Excel Transportation Inc. from 1999 to 2016 | Nil | Nil | Nil | Nil |
| Don Hubbard ⁽¹⁾ Chairman and Director Nanaimo, BC | President and CEO of Hubbard Consulting Ltd., Owner, partner and manager of RCL Mining LLP; Board Chair of Vancouver Island Health Authority; | Nil | Nil | Nil | Nil |
| Greg Smith ⁽¹⁾ Director Vancouver, BC | President & Owner of Broadway Refrigeration; Chairman and director of Lite Access Technologies (CSE: LTE); Director of ImmunoPrecise Antibodies Ltd. (TSXV: IPA); Senior Portfolio Manager for Phillips, Hagar & North & VP of Investment Banking for CIBC World Markets | Nil | Nil | Nil | Nil |
| Dawn Wattie Corporate Secretary White Rock, BC | President/CEO, Dawn Wattie Law Corporation, Corporate Secretary of ImmunoPrecise Antibodies Ltd., Former Corporate Secretary, CB Gold Inc. | Nil | Nil | Nil | Nil |
| Total Securities | | 6,943,584 | 25.0% | 7,282,109 | 24.7% |

Notes:

(1) Member of the audit committee of the Resulting Issuer.

- (2) Assuming completion of the minimum Financing, the amount includes 4,120,398 shares held directly by Mr. Abassi and 1,823,185 shares beneficially owned through an indirect holding of Hadi Abassi, Trustee of the Abassi Family Trust, and assuming completion of the maximum Financing, the amount includes 4,355,082 shares held directly by Mr. Abassi and 1,927,027 shares beneficially owned through an indirect holding of Hadi Abassi, Trustee of the Abassi Family Trust

Management

The following is a brief description of the proposed directors and officers of the Resulting Issuer following completion of the Transaction.

Hadi Abassi, 61, Chief Executive Officer and Director

Hadi Abassi is a highly successful entrepreneur and community leader. Mr. Abassi is the founder and President and CEO of Atlas Group of companies. Mr. Abassi established Atlas Engineered Products Ltd. in 1999 to manufacture roof trusses at its Nanaimo manufacturing facility to services customers on Vancouver Island. And established Coastal Windows in 2003 as a dealer and then subsequently a manufacture of customer doors and windows. He was former General Sales Manager of Starline Windows and prior to that the General Manager of Columbia Taping Tools. Mr. Abassi holds a mechanical engineering degree from Swindon Technical College. As a community leader, Mr. Abassi has been nominated citizen of the year on three occasions, was nominated by the Government of Canada to carry the Olympic torch and established the Vancouver Island Raiders football club in 2005. Since 2005, Vancouver Island Raiders have become a force within Canadian junior football.

Mr. Abassi will devote the amount of time as is necessary to perform the work required in connection with the Board of Directors of the Resulting Issuer. Mr. Abassi has not entered into a non-competition or non-disclosure agreement with the Resulting Issuer.

Guy Champagne, 61, President and Director

Guy Champagne is an accomplished businessman and entrepreneur. Mr. Champagne has been a director of ImmunoPrecise Antibodies Ltd. (TSXV: IPA) since December 2016, and a Director of Seahawk Ventures (CNSX:SHX) since August 2015. From January, 2014, actively involved involving the management and operation of a group privately-owned companies including: President of Aequitor Inc., former Vice-President of Real Estate Webmasters Inc. and Advisor for Hardy Buoys Smoked Fish Inc. Served as Managing Partner and Senior Partner of BDC Consulting between 2006 and 2013, retiring in December 2013. From 1974 to 2005, served as founder, executive, investor and consultant with numerous privately-held technology companies until their sale and disposition in 2005 to pursue retirement. Maintained designation as a Certified Management Consultant (Canadian Association of Certified Management Consultants) until 2016. During the late 1970's and 1980's and coincident with early success in business, pursued education including the Canadian Securities Course, the Canadian Institute of Chartered Business Valuators training program for the Chartered Business Valuator designation, enrolled in the Institute of Corporate Directors program and Honours Mathematics at McGill University.

Mr. Champagne will devote the amount of time as is necessary to perform the work required in connection with the Board of Directors of the Resulting Issuer. Mr. Champagne has not entered into a non-competition or non-disclosure agreement with the Resulting Issuer.

Carmen Amezcua Hernandez, 34, Chief Financial Officer

Carmen Amezcua Hernandez is a Chartered Professional Accountant and has over five years of experience working with public companies. Ms. Amezcua currently serves as Chief Financial Officer of Silver One Resources Inc. Previously, Ms. Amezcua has acted as the controller for a number of public companies.

Ms. Amezcua will devote the time as is necessary to perform the work required in connection with the management of the Resulting Issuer. Ms. Amezcua has not entered into a non-competitive or non-disclosure agreement with the Resulting Issuer. Ms. Amezcua is an independent contractor of the Resulting Issuer.

Roy Dondale, 54, Vice President of Operations

Roy Dondale is a veteran of the transportation and trucking industry. Mr. Dondale was General Manager for Western Seaboard Transport from 1992 to 1998, Vice President of Operation at Excel Transportation Inc. from

1999 to 2016 and has worked both as a truck driver and as a dispatcher and service manager giving him a personal understanding of the entire operations and logistics business.

Mr. Dondale will devote the time as is necessary to perform the work required in connection with the management of the Resulting Issuer. Mr. Dondale has not entered into a non-competitive or non-disclosure agreement with the Resulting Issuer. Mr. Dondale is an independent contractor of the Resulting Issuer.

Greg Smith, 50, Director

Greg Smith is a seasoned capital markets veteran who held senior positions in investment banking before recently transitioning to private equity with the acquisition of one of the largest HVAC companies in Western Canada. Mr. Smith also held the position of Portfolio Manager for Phillips, Hagar & North & Executive Director, Canadian Securitization Group, CIBC World Markets in Toronto for close to ten years. Mr. Smith, currently serves as President & Director of Broadway Refrigeration & Air Conditioning Co. Ltd. and Omega Mechanical Ltd. who collectively have over 150 employees. Mr. Smith earned an MBA from Dalhousie University and is a Chartered Financial Analyst and has served in advisory positions to multiple private and public ventures. He is currently serving as Chairman and director of Lite Access Technologies (IPA: LTE) and a director of ImmunoPrecise Antibodies Ltd. (TSXV: IPA).

Mr. Smith will devote the amount of time as is necessary to perform the work required in connection with the Board of Directors of the Resulting Issuer. Mr. Smith has not entered into a non-competition or non-disclosure agreement with the Resulting Issuer.

Don Hubbard, 71, Director

Mr. Don Hubbard is an accomplished businessman and community leader. Don Hubbard is currently President and CEO of Hubbard Consulting Ltd. and owner, partner and manager of RCR Mining LLP. Mr. Hubbard is also currently Board Chair of the Vancouver Island Health Authority. Mr. Hubbard is formerly the General Manager of Lafarge North West Division and Island operations which merged with Hub City Paving in which Mr. Hubbard held many senior operation positions with Hub City Paving. As a community leader, Mr. Hubbard is Retired Rotarian Ocean Side Club; Paul Harris Fellow; Founding member of Nanaimo Yes Committee; Board Director Ducks Unlimited Canada National; Founding member (Treasurer) of the Vancouver Island Economic Alliance; Board Director of VIU Foundation; Board Director of Malaspina International High School. Don obtained his ICD designation from the Institute of Corporate Directors on May 6, 2012.

Mr. Hubbard will devote the amount of time as is necessary to perform the work required in connection with the Board of Directors of the Resulting Issuer. Mr. Hubbard has not entered into a non-competition or non-disclosure agreement with the Resulting Issuer.

Dawn Wattie, 55, Corporate Secretary

Dawn Wattie is a barrister and solicitor specializing in assisting companies involved in the advanced technology and the commercialization of intellectual property. Ms. Wattie holds a BA from University of Victoria and LLB from University of Windsor and was called to the BC Bar in 1989. Ms. Wattie has been in private practice since 1997. Ms. Wattie is currently the corporate secretary to ImmunoPrecise Antibodies Ltd. (TSXV: IPA) and has acted as corporate secretary for CB Gold Inc. (TSX-V: CBJ-V) from 2010 until 2015.

Ms. Wattie will devote the amount of time as is necessary to perform the work required in connection with acting as Corporate Secretary of the Resulting Issuer. Ms. Wattie has not entered into a non-competition or non-disclosure agreement with the Resulting Issuer.

Corporate Cease Trade Orders or Bankruptcies

No proposed director, officer, Insider, Control Person or promoter of the Resulting Issuer has, within the last 10 years before the date of this Filing Statement, been a director, officer or promoter of any person or company that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the person or company access to any exemption under applicable securities law for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal

under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold assets of that person.

Penalties or Sanctions

No proposed director, officer, Insider, Control Person or promoter of the Resulting Issuer has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulating authority that would be likely to be considered important to a reasonable investor making an investment decision about the Transaction.

Personal Bankruptcies

No director, officer, Insider, Control Person or Promoter of the Resulting Issuer, or a personal holding company of any such persons has, within the 10 years before the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Conflicts of Interest

Other than as described in this Filing Statement, there are no known conflicts of interest involving the directors. See “*Summary of Filing Statement*” and “*Part I – Information Concerning the Company – General Development of Business*”.

Other Reporting Issuers Experience

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other issues that are or were reporting issuers in any Canadian jurisdiction:

| Name | Name & Jurisdiction of Reporting Issuer | Name of Exchange or Market (if applicable) | Position | Period |
|----------------------------|--|--|---------------------|----------------------|
| Guy Champagne | ImmunoPrecise Antibodies Ltd., British Columbia | TSXV | Director | Dec 2016 to Present |
| | Archer Petroleum Corp., British Columbia | TSXV | CEO & Director | May 2017 to Present |
| | Seahawk Ventures Inc., British Columbia | CSE | Director | Aug 2015 to Present |
| Carmen Amezquita-Hernandez | Silver One Resources Inc., British Columbia | TSXV | CFO | Aug 2016 to Present |
| | Archer Petroleum Corp., British Columbia | TSXV | CFO | May 2017 to Present |
| Greg Smith | ImmunoPrecise Antibodies Ltd., British Columbia | TSXV | Director | Aug 2016 to Present |
| | Lite Access Technologies Inc., British Columbia | TSXV | Director | May 2015 to Present |
| Dawn Wattie | ImmunoPrecise Antibodies Ltd., British Columbia | TSXV | Corporate Secretary | Dec 2016 to Present |
| | Red Eagle Exploration (FKA - CB Gold Inc.), British Columbia | TSXV | Corporate Secretary | Oct 2010 to Nov 2015 |

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This discussion describes the Resulting Issuer’s anticipated compensation program for each person who will act as Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and the three most highly compensated executive officers (or three most highly compensated individuals acting in a similar capacity), other than the CEO and CFO, subsequent to the Resulting Issuer completing the Transaction (each a “Named Executive Officer”).

Significant Elements

The significant elements of compensation awarded to the Named Executive Officers are a cash salary and stock options. The Resulting Issuer does not presently have a long-term incentive plan for its Named Executive Officers. There is no policy or target regarding allocation between cash and non-cash elements of the Resulting Issuer’s compensation program. The Board of Directors is solely responsible for determining compensation to be paid to the Resulting Issuer’s Named Executive Officers. In addition, the Board of Directors reviews annually the total compensation package of each of the Resulting Issuer’s executives on an individual basis.

Cash Salary

In setting compensation rates for Named Executive Officers, the Resulting Issuer will compare the amounts paid to them with the amounts paid to executives in comparable positions at other comparable corporations. The Resulting Issuer’s anticipated compensation payable to the Named Executive Officers is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each Named Executive Officer and varies with the amount of time spent by each Named Executive Officer in carrying out his or her functions on behalf of the Resulting Issuer.

Option-Based Awards

The Resulting Issuer has adopted a Stock Option Plan (the “Stock Option Plan”) whereby a maximum of 10% of the Resulting Issuer’s issued and outstanding Common Shares are reserved at any time for issuance on the exercise of stock options. The Stock Option Plan is intended to emphasize management’s commitment to growth of the Resulting Issuer.

Summary Compensation Table

The following table provides a summary of compensation anticipated to be paid by the Resulting Issuer to the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and the three other most highly compensated executive officers of the Resulting Issuer (the “Named Executive Officers”) during the twelve month period following completion of the Transaction:

| Name and Principal Position | Year | Salary (\$) | Share-based Awards (\$) | Option-based Awards (\$) | Non-equity Incentive Plan Compensation (\$) | | Pension Value (\$) | All Other Compensation (\$) | Total Compensation (\$) |
|---------------------------------|------|-------------|-------------------------|--------------------------|---|---------------------------|--------------------|-----------------------------|-------------------------|
| | | | | | Annual Incentive Plans | Long-term Incentive Plans | | | |
| Hadi Abassi, CEO | 2017 | 250,000 | - | - | - | - | - | - | 250,000 |
| Guy Champagne, President | 2017 | 96,000 | - | - | - | - | - | - | 96,000 |
| Carmen Amezcuita-Hernandez, CFO | 2017 | - | - | - | - | - | - | - | - |

| | | | | | | | | | |
|------------------------------------|------|---------|---|---|--|--|--|--|---------|
| Roy Dondale, Vice- President | 2017 | 120,000 | - | - | | | | | 120,000 |
|------------------------------------|------|---------|---|---|--|--|--|--|---------|

Termination and Change of Control Benefits

The Resulting Issuer does not anticipate having any contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer, at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Resulting Issuer or a change in the Named Executive Officer's responsibilities.

Compensation of Directors

The Resulting Issuer anticipates that it will pay the following compensation to its directors during the twelve month period following completion of the Transaction:

| Name | Fees Earned (\$) | Share- based awards (\$) | Option- based Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | Pension Value (\$) | All Other Compensation (\$) | Total (\$) |
|-------------|------------------------|-----------------------------------|------------------------------------|--|--------------------------|-----------------------------------|---------------|
| Don Hubbard | - | - | | - | - | - | - |
| Greg Smith | - | - | | - | - | - | - |

Note:

(1) Each director will be granted 100,000 stock options.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, officer, promoter, member of management, nominee for election as director of the Resulting Issuer, nor any of their Associates or Affiliates, is or has been indebted to the Resulting Issuer or expected to be indebted to the Resulting Issuer following completion of the Transaction.

INVESTOR RELATIONS ARRANGEMENTS

The Resulting Issuer does not anticipate entering into any written or oral agreement or understanding with any person to provide any promotional or investor relations services for the Resulting Issuer.

OPTIONS TO PURCHASE SECURITIES

Stock Option Plan

There will be no change to the Stock Option Plan as a result of completion of the Transaction. See "Part I – Information Concerning the Company – Stock Option Plan".

Options Granted

In connection with the Transaction, the Resulting Issuer will be granting an aggregate of 1,750,000 stock options to directors, officers and consultants of the Resulting Issuer. The following table represents the stock options outstanding on closing of the Transaction.

| Group | Number of Common Shares Reserved Under Option | Exercise Price Per Common Share | Expiry Date |
|----------------------------------|--|--|--|
| Officers as Group | | | |
| Hadi Abassi, CEO | 500,000 | \$0.40 | Five Years from the date of the Final Exchange Bulletin |
| Guy Champagne, President | 250,000 | \$0.40 | Five Years from the date of the Final Exchange Bulletin |
| Dawn Wattie, Corporate Secretary | 250,000 | \$0.40 | Five Years from the date of the Final Exchange Bulletin |
| Roy Dondale, VP Operations | 100,000 | \$0.40 | Five Years from the date of the Final Exchange Bulletin |
| Total | 1,100,000 | | |
| Directors as Group | | | |
| Greg Smith | 100,000 | \$0.40 | Five Years from the date of the Final Exchange Bulletin |
| Don Hubbard | 100,000 | \$0.40 | Five Years from the date of the Final Exchange Bulletin |
| Total | 200,000 | | |
| Consultants as Group | 100,000 | \$0.40 | Five Years from the date of the Final Exchange Bulletin |
| Employees as Group | 350,000 | \$0.40 | Five Years from the date of the Final Exchange Bulletin |

ESCROWED SECURITIES

The following table, to the knowledge of the Resulting Issuer, as of the date of this Filing Statement, sets out the number of Common Shares which will be held in escrow prior to completion of the Transaction and the day following issuance of the Final Exchange Bulletin:

| Name and Municipality of Residence of Shareholder | Prior to Giving Effect to the Transaction and Financing | | After Giving Effect to the Transaction and Minimum Financing | | After Giving Effect to the Transaction and Maximum Financing | |
|---|---|----------------------|--|----------------------|--|----------------------|
| | Number of Common Shares held in Escrow | Percentage of Shares | Number of Common Shares to be held in Escrow | Percentage of Shares | Number of Common Shares to be held in Escrow | Percentage of Shares |
| Hadi Abassi, BC | - | - | 4,120,398 | 14.84% | 4,355,082 | 14.79% |
| Hadi Abassi, Trustee of the Abassi Family Trust, BC | - | - | 1,823,185 | 6.56% | 1,927,027 | 6.55% |
| Gurmit Dhaliwal, BC | - | - | 685,973 | 2.46% | 725,044 | 2.47% |
| Sterling Mitchell, BC | - | - | 685,973 | 2.46% | 725,044 | 2.47% |
| Guy Champagne Fanny Bay, BC | - | - | 1,000,000 | 3.60% | 1,000,000 | 3.40% |
| Total | - | - | 8,315,530 | 29.94% | 8,732,197 | 29.66% |

Escrow Securities

In connection with the Transaction 8,315,530 Escrow Securities (assuming completion of the minimum Financing), representing 29.94% of the issued and outstanding shares of the Resulting Issuer, and up to 8,732,197 (assuming completion of the maximum Financing) representing 29.96% of the issued and outstanding shares of the Resulting Issuer will be escrowed. The Escrow Shares are escrowed pursuant to an escrow agreement to be entered into before closing (the “Escrow Agreement”) among Computershare Investor Services Inc., the Resulting Issuer and the above noted escrow security holders.

Under the Escrow Agreement:

- (a) 1,000,000 of the Escrowed Shares will be released as follows: 25% of the Escrowed Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the “Initial Release”) and an additional 25% will be released on the dates 6 months, 12 months and 18 months following the Initial Release as the Resulting Issuer anticipates that it will list as a Tier 1 issuer on the Exchange. Further, the underlying securities of the Exchangeable Note in the principal amount of \$50,000 issued to Mr. Champagne and the Exchangeable Note in the principal amount of \$150,000 issued to Gurmit Dhaliwal will also be subject to these escrow requirements; and
- (b) the shares issued to the Atlas Shareholders, being a minimum of 7,315,530 Escrow Shares (assuming completion of the minimum Financing) and up to 7,732,197 (assuming completion of the maximum Financing), will be released as follows: 10% on the Initial Release and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

In addition, all shares of the Resulting Issuer issuable under the stock options to be granted to insiders of the Resulting Issuer will be subject to the 18 month escrow requirements set forth above.

Seed Securities

All securities issuable under an Exchangeable Note in the principal amount of \$97,500 are subject to hold periods imposed by the Exchange. The Exchangeable Note entitles the holder to one common share and one share purchase warrant. The share purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$0.40 per common share for a period of one year from the date of issuance. The securities will be subject to the following release:

| Date | Number of Shares Eligible for Release | Number of Warrants Eligible for Release |
|----------------------------|--|--|
| Closing of the Offering | 97,000 | 97,000 |
| Closing date plus 1 month | 97,000 | 97,000 |
| Closing date plus 2 months | 97,000 | 97,000 |
| Closing date plus 3 months | 97,000 | 97,000 |
| Closing date plus 4 months | 97,000 | 97,000 |
| Total | 485,000 | 485,000 |

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditor of the Resulting Issuer will be Wolrige Mahon LLP located at 900 – 400 Burrard Street, Vancouver, BC V6C 1M2.

The registrar and transfer agent of the Common Shares will continue to be Computershare Investor Services Inc. at 2nd Floor, 510 Burrard Street, Vancouver, BC V6C 3B9.

PART IV – GENERAL MATTERS

SPONSORSHIP

Archer has applied to the Exchange to obtain a waiver of the requirement to engage a Sponsor in connection with the Transaction.

EXPERTS

The following persons or companies whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company are named in this Filing Statement as having prepared or certified a report, valuation, statement or opinion in this Filing Statement:

- (a) BDO Canada LLP audited Archer's annual financial statements for the fiscal years ended November 30, 2016 and 2015.
- (b) Wolrige Mahon LLP audited Atlas's annual financial statements for the fiscal years ended May 31, 2017 and 2016.

BDO Canada LLP and Wolrige Mahon LLP are independent within the meaning of the rules of professional conduct of the Chartered Professional Accountants of British Columbia. None of the foregoing persons or companies have held, received or is to receive any registered or beneficial interests, direct or indirect, in any securities or other property of Archer, Atlas or of their Associates or Affiliates when such person or company prepared the report, valuation, statement or opinion aforementioned or thereafter.

OTHER MATERIAL FACTS

To management's knowledge, there are no other material facts about the Resulting Issuer, Atlas and Archer, assuming completion of the Transaction, Archer or the Transaction that are not disclosed in this Filing Statement, or are necessary in order for the Filing Statement to contain full, true and plain disclosure of all material facts relating to the Resulting Issuer, Atlas and Archer, assuming completion of the Transaction.

BOARD APPROVAL

The contents of this Filing Statement have been approved by the Board of Directors of Archer. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than Archer, Archer has relied upon information furnished by such person.

SCHEDULE "A" - FINANCIAL STATEMENTS OF ARCHER

Audited financial statements for Archer for the fiscal years ended November 30, 2016 and 2015 and the unaudited interim financial statements for the six months ended May 31, 2017 are attached to this Filing Statement.

ARCHER PETROLEUM CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2016

(Expressed in Canadian Dollars)



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BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Independent Auditor's Report

To the Shareholders of Archer Petroleum Corp.

We have audited the accompanying consolidated financial statements of Archer Petroleum Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at November 30, 2016 and 2015 and the consolidated statements of income (loss) and comprehensive income (loss), shareholders' (deficiency) equity and cash flows, for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Archer Petroleum Corp. as at November 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 2 in the consolidated financial statements, which indicates that the Company has not yet achieved profitable operations and had an accumulated deficit of \$25,287,145 as at November 30, 2016. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

"BDO CANADA LLP"

Chartered Professional Accountants
Vancouver, British Columbia
March 29, 2017

ARCHER PETROLEUM CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

| | Notes | November 30, 2016 (\$) | November 30, 2015 (\$) |
|--|-------|------------------------------|------------------------------|
| ASSETS | | | |
| Current | | | |
| Cash | | 197 | 7,414 |
| GST recoverable | | 1,251 | 1,002 |
| Prepaid expenses and other assets | | - | 2,147 |
| | | <u>1,448</u> | <u>10,563</u> |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 6 | 385,315 | 513,054 |
| Convertible loan – debt component | 7 | 180,000 | 176,068 |
| Promissory notes | 8 | 40,125 | - |
| | | <u>605,440</u> | <u>689,122</u> |
| SHAREHOLDERS' DEFICIENCY | | | |
| Share capital | 9 | 21,406,529 | 21,406,529 |
| Convertible loan – equity component | 7 | - | 22,319 |
| Contributed surplus | | 3,138,997 | 3,116,678 |
| Accumulated other comprehensive income | | 137,627 | 136,701 |
| Deficit | | <u>(25,287,145)</u> | <u>(25,360,786)</u> |
| | | <u>(603,992)</u> | <u>(678,559)</u> |
| | | <u>1,448</u> | <u>10,563</u> |

Organization and nature of operations - Note 1
Going concern – Note 2
Subsequent event – Notes 8 and 12

APPROVED BY THE DIRECTORS

“Robert McMorran” Director
Robert McMorran

“Colin Bowkett” Director
Colin Bowkett

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

ARCHER PETROLEUM CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
For the years ended November 30, 2016 and 2015
(Expressed in Canadian Dollars)

| | Note | 2016 (\$) | 2015 (\$) |
|---|-------|------------------|--------------------|
| Expenses | | | |
| General and administrative | 11(a) | 95,765 | 234,121 |
| Share-based payments | 9(d) | - | 3,665 |
| Interest on convertible loan | 7 | 19,800 | 19,800 |
| Foreign exchange loss (gain) | | (4,339) | 23,709 |
| Accretion of convertible loan | 7 | 3,932 | 11,272 |
| Loss for the year before other items | | (115,158) | (292,567) |
| Other items | | | |
| Gain on debt settlement | 6 | 188,799 | - |
| Realized loss on sale of marketable securities | 11(b) | - | (123,041) |
| Write-down of intangible assets | 11(c) | - | (3,085) |
| Write-down of exploration and evaluation assets | 11(d) | - | (679,849) |
| Income (loss) for the year | | 73,641 | (1,098,542) |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | | 926 | 77,154 |
| Total comprehensive income (loss) for the year | | 74,567 | (1,021,388) |
| Basic and diluted income (loss) per share | 9(g) | 0.03 | (0.41) |
| Weighted average number of shares outstanding | | 2,709,091 | 2,709,091 |

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

ARCHER PETROLEUM CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIENCY) EQUITY
For the years ended November 30, 2016 and 2015
(Expressed in Canadian Dollars)

| | Common Shares # | Share Capital (\$) | Subscriptions Receivable (\$) | Convertible Loan – Equity Component (\$) | Contributed Surplus (\$) | AOCI (\$) | Deficit (\$) | Total (\$) |
|---|-----------------------|--------------------------|-------------------------------------|---|--------------------------------|--------------|-----------------|---------------|
| Balance – November 30, 2014 | 2,709,091 | 21,431,529 | (25,000) | 22,319 | 3,113,013 | 59,547 | (24,262,244) | 339,164 |
| Overallotment of shares (Note 9(b)) | - | (25,000) | 25,000 | - | - | - | - | - |
| Share-based payments | - | - | - | - | 3,665 | - | - | 3,665 |
| Loss and comprehensive income for the year | - | - | - | - | - | 77,154 | (1,098,542) | (1,021,388) |
| 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 year | - | - | - | - | - | 926 | 73,641 | 74,567 |
| Balance – November 30, 2016 | 2,709,091 | 21,406,529 | - | - | 3,138,997 | 137,627 | (25,287,145) | (603,992) |

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

ARCHER PETROLEUM CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended November 30, 2016 and 2015
(Expressed in Canadian Dollars)

| | 2016 (\$) | 2015 (\$) |
|--|------------------|------------------|
| Cash (used in) provided by | | |
| Operating activities | | |
| Income (loss) for the year | 73,641 | (1,098,542) |
| Add (deduct) items not involving cash: | | |
| Share-based payments | - | 3,665 |
| Unrealized foreign exchange loss (gain) | 926 | (5,328) |
| Accretion of convertible loan | 3,932 | 11,272 |
| Gain on debt settlement | (188,799) | - |
| Realized loss on sale of marketable securities | - | 123,041 |
| Write-down of intangible assets | - | 3,085 |
| Write-down of exploration and evaluation assets | - | 679,849 |
| | (110,300) | (282,958) |
| Changes in non-cash working capital items related to operations: | | |
| GST recoverable | (249) | 18,991 |
| Prepaid expenses and other assets | 2,147 | 6,720 |
| Accounts payable and accrued liabilities | 61,060 | 39,578 |
| | (47,342) | (217,669) |
| Investing activities | | |
| Expenditures on exploration and evaluation assets | - | (25,114) |
| Proceeds from sale of marketable securities | - | 92,091 |
| | - | 66,977 |
| Financing activity | | |
| Proceeds from promissory notes | 40,125 | - |
| | 40,125 | - |
| Decrease in cash during the year | (7,217) | (150,692) |
| Cash, beginning of the year | 7,414 | 158,106 |
| Cash, end of the year | 197 | 7,414 |
| Cash paid for interest | - | - |
| Cash paid for income taxes | - | - |

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

ARCHER PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2016 and 2015

(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. The Company trades on the TSX Venture Exchange ("TSXV") under the symbol "ARK". 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.

On August 9, 2016, the Company completed a share consolidation on a basis of twenty pre-consolidation shares for one post-consolidation share (Note 9(c)). On the share consolidation date, the number of pre-consolidation common shares was 54,181,810. The share consolidation resulted in the number of post-consolidation common shares of 2,709,091. As required by IAS 33 *Earnings per Share*, all references to share capital, common shares outstanding and per share amounts in these consolidated financial statements and the accompanying notes for time periods prior to the share consolidation have been restated to reflect the 20:1 share consolidation.

2 Going Concern

These 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 November 30, 2016, the Company had not yet achieved profitable operations, had a working capital deficiency of \$603,992, had an accumulated deficit of \$25,287,145 since inception and expects to incur further losses in the development of its business. These conditions indicate the existence of a material uncertainty 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 Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Unless otherwise stated, all dollar amounts are in Canadian dollars.

These financial statements were approved by the board of directors for use on March 29, 2017.

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Details of the subsidiaries are as follows:

ARCHER PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

| | Incorporated in | Percentage owned | |
|---------------------------------|------------------|----------------------|----------------------|
| | | November 30, 2016 | November 30, 2015 |
| 0856348 B.C Ltd. | British Columbia | 100% | 100% |
| Contact Oil & Gas Holdings Inc. | Nevada | 100% | 100% |
| Contact Oil & Gas USA Inc. | Nevada | 100% | 100% |

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Exploration and evaluation costs*Exploration and evaluation assets*

Costs incurred prior to establishing commercial viability and technical feasibility are initially considered to be exploration and evaluation ("E&E") assets. This includes costs such as land and lease acquisition costs, and geological and geophysical costs. E&E costs are not depleted and are carried forward until reserves are determined to exist. A review of E&E costs is carried out at least annually to determine if reserves exist. Upon determination of reserves, costs are tested for impairment and reclassified to oil and natural gas assets. If commercial viability and technical feasibility is not established through the determination of reserves and there are no future plans for activity, then the E&E assets are determined to be impaired.

Property and equipment

Unless initially classified as E&E assets, all costs related to the acquisition, exploration and development of oil and natural gas properties are capitalized and are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. These costs include land and lease acquisition costs, annual charges on non-producing properties, geological and geophysical costs, costs of drilling and equipping productive and non-productive wells, costs for production facilities, decommissioning costs, and carrying costs. Repairs and maintenance costs are expensed as incurred.

Oil and natural gas assets are accumulated in cost centres based on cash generating units ("CGUs"). Costs are depreciated and depleted using the unit-of-production method based upon estimated proved plus probable reserves before royalties. Costs subject to depletion include estimated costs to develop proved plus probable reserves and exclude estimated salvage value. Reserve and production volumes of oil and natural gas are converted to common units on the equivalency basis of six Mcf to one barrel of oil, reflecting the approximate relative energy content.

Proved reserves are those reserves claimed to have a reasonable certainty (normally at least 90% confidence) of being recoverable under existing economic and political conditions, with existing technology. Probable reserves are attributed to known accumulations, and claim a 50% confidence level of recovery. Reserves are determined pursuant to National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities.

Proceeds from the disposition of oil and natural gas properties are credited against the accumulated costs of the properties sold and any gains or losses will be recognized in profit or loss in the period when the disposition occurred.

Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives or not yet available for use are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs of disposal), the asset is written down accordingly.

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

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs").

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Impairment losses from prior periods are assessed at each reporting date for indications that the impairment loss no longer exists or has decreased. Impairment losses, other than those related to goodwill, can be reversed if there is a change in the estimates used to determine the recoverable amount. Reversal of impairment losses cannot exceed the carrying value of the asset prior to impairment less any depreciation and depletion that would have been taken if no impairment was recognized.

Joint interest operations

Substantially all of the Company's exploration, development and production activities related to oil and natural gas operations are conducted jointly with others and, accordingly, the accounts reflect only the Company's proportionate interest in such activities.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive loss except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the profit or loss.

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

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

De-recognition of financial assets and liabilities

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in profit or loss.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity.

Warrants included in units offered to subscribers in connection with financing are allocated a value of \$nil or a nominal amount. The amount allocated is recorded in contributed surplus within equity attributable to shareholders.

Any consideration received on the exercise of stock options and warrants, together with the related portion of contributed surplus, is credited to share capital.

Income taxes

Income tax on the income or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable incomes will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

Basic and diluted loss per share

Basic earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

Foreign currencies

The consolidated financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is Canadian dollars. The functional currency of Archer Petroleum Corp. and 0856348 B.C. Ltd. is the Canadian dollar and of Contact Oil & Gas Holdings Inc. and Contact Oil & Gas USA Inc. is the US dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are recognized through profit or loss.

The assets and liabilities of each subsidiary are translated into Canadian dollars using the exchange rate at the reporting date and the income statement is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation of a subsidiary from the functional currency to the presentation currency are charged to other comprehensive income (loss).

Share-based payments

The fair value of all stock options granted is recognized in profit or loss with a credit to contributed surplus. The fair value of stock options granted to employees is measured at the grant date. The fair value of stock options which vest immediately is recorded at the grant date. For stock options which vest in the future, the fair value of stock options, as adjusted for the expected level of vesting of the stock options and the number of stock options which ultimately vest, is recognized over the vesting period. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized in income or loss from the date of grant to the reporting date and credited to contributed surplus. Warrants issued to brokers are measured at their fair value on the issuance date and are recognized as a deduction from equity and credited to contributed surplus. The fair value of stock options and warrants issued to brokers are estimated using the Black-Scholes option pricing model.

4 Accounting Standards Issued But Not yet Effective

The following new standards have been issued but not yet applied. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

IFRS 9 – Financial Instruments: Classification and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial instruments and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

IAS 7 – Statement of Cash Flows. IAS 7 introduces amendments for changes in liabilities arising from financing activities are disclosed. One way fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position arising from financing activities. Finally, the amendments state that the changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for reporting periods beginning on or after January 1, 2017.

IFRS 15 - Revenue from Contracts with Customers. The new IFRS 15 Revenue from Contracts with Customers standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. This amendment will be mandatory for reporting periods beginning on or after January 1, 2018.

IFRS 16 – Leases. IFRS 16 Leases will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019.

5 Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

The Company made no critical accounting estimates.

Critical accounting judgements:

- (i) The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year. The factors considered by management are disclosed in Note 2.

6 Accounts Payable and Accrued Liabilities

| | November 30, 2016 (\$) | November 30, 2015 (\$) |
|--|---------------------------------------|------------------------------|
| Trade payables | 139,065 | 227,086 |
| Interest payable on convertible loan (Note 7) | 52,800 | 33,000 |
| Amounts due to related parties (Note 12) | 193,450 | 252,968 |
| Total accounts payable and accrued liabilities | 385,315 | 513,054 |

Effective March 31, 2016, the Company entered into a termination agreement with Phoenix Metals, Inc., Imperial Chemical Company and Aaron Wilson whereby the Company terminated its chemical supply agreement and sublicense agreement. In consideration for the termination of those agreements, each of Phoenix Metals, Inc., Imperial Chemical Company and Aaron Wilson released and discharged the Company of any obligations under those agreements and any indebtedness owed to them. Accordingly, during the year ended November 30, 2016, the Company recorded a gain on debt settlement of \$188,799.

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

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

7 Convertible Loan

| | Liability Component \$ | Equity Component \$ |
|---|------------------------------|---------------------------|
| Balance – November 30, 2014 | 164,796 | 22,319 |
| Accretion expense | 11,272 | - |
| 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 | - |

On March 26, 2014, the Company issued a secured convertible loan for the principal sum of \$180,000. The convertible loan bears interest at 11% and matured on March 26, 2016 and has not been repaid nor converted. Management is exploring options with respect to the extinguishment of the convertible loan. 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 is payable on the earlier of March 26, 2016 and the date of conversion. Interest is payable in cash or in common shares of the Company at the option of the Company. The note is 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 bears interest at 11%.

For accounting purposes, the convertible loan has been 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 year ended November 30, 2016, the Company recorded interest expense of \$19,800 (2015 - \$19,800) and accretion expense of \$3,932 (2015 - \$11,272).

8 Promissory Notes

On March 8, 2016, the Company entered into two promissory note agreements totalling \$30,000 with a director of the Company and a third party. The promissory notes are non-interest bearing, unsecured and due on demand.

During the year ended, November 30, 2016, the Company received an additional \$10,125 of advances from a director of the Company. The advances are non-interest bearing, due on demand and unsecured. Subsequent to November 30, 2016, the Company received an additional \$32,000 of advances from a director of the Company and a third party.

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

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

9 Share Capitala) Authorized:

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

Unlimited number of Class B preferred shares without par value.

b) Financings:

During the year ended November 30, 2016, the Company did not complete any financings.

During the year ended November 30, 2015, the Company did not complete any financings. During the year ended November 30, 2015, management determined that share subscriptions receivable of \$25,000 was uncollectible and accordingly, the Company reduced the carrying value of the issued common shares.

c) Share consolidation

On August 9, 2016, the TSX Venture Exchange approved the share structure of the Company by altering the consolidation of the issued and outstanding common shares on the basis of one (1) post-consolidation common share for every twenty (20) pre-consolidation common shares as approved by a special resolution by shareholders on July 14, 2016. As at November 30, 2016, the Company has 2,709,091 post-consolidated common shares issued and outstanding. As required by IAS 33 Earnings per Share, all references to share capital, common shares outstanding and per share amounts in these consolidated financial statements and the accompanying notes for time periods prior to the share consolidation have been restated to reflect the 20:1 share consolidation.

d) 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 post-consolidated options outstanding as of November 30, 2016 and 2015 the changes during the periods then ended is presented below:

| | Number of Options | Weighted Average Exercise Price (\$) | Weighted Average Life (Years) |
|--|----------------------|--|-------------------------------------|
| Outstanding, November 30, 2014 | 229,956 | 4.60 | 5.90 |
| Expired | (16,625) | 29.20 | |
| Outstanding, November 30, 2015 | 213,331 | 2.60 | 5.31 |
| Expired | (775) | 24.00 | |
| Outstanding and exercisable, November 30, 2016 | 212,556 | 2.60 | 4.32 |

ARCHER PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

At November 30, 2016, the following post-consolidated options were outstanding entitling the holder there of 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> | | |

During the year ended November 30, 2016, the Company had share-based payment expense of \$nil (2015 - \$3,665) based on the vesting of previously granted options.

e) Warrants:

A summary of post-consolidated warrants outstanding and exercisable as of November 30, 2016 and 2015 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, 2014 | 1,230,665 | 2.80 | 1.16 |
| Expired | (135,803) | 11.20 | |
| Outstanding, November 30, 2015 | 1,094,862 | 1.80 | 0.25 |
| Expired | (1,094,862) | 1.80 | |
| Outstanding, November 30, 2016 | - | - | - |

f) Convertible Loan:

The Company had an outstanding convertible loan (Note 7) which was convertible into 45,000 post-consolidated common shares of the Company. During the year ended November 30, 2016, the conversion feature expired unexercised.

g) Basic and Diluted Loss per Share:

During the year ended November 30, 2016 and 2015, potentially dilutive common shares totalling 212,556 (2015 – 1,353,193) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive.

ARCHER PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

10 Income Taxes

Taxation in the Company's operational jurisdiction is calculated at the rate prevailing in its respective jurisdiction. There is no tax charge arising for the Company for the year, in either Canada or the US.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

| | 2016 (\$) | 2015 (\$) |
|---|-----------------|--------------|
| Statutory tax rate | <u>26.00%</u> | 26.00% |
| Income (loss) for the year before income taxes | <u>73,641</u> | (1,098,543) |
| Expected income tax expense (recovery) at statutory rates | 19,000 | (286,000) |
| Difference attributable to foreign tax rates | 3,000 | (54,000) |
| Other | - | (2,000) |
| Change in unrecognized deferred tax assets | <u>(22,000)</u> | 342,000 |
| Deferred tax expenses (recovery) | <u>-</u> | <u>-</u> |

The Canadian Federal corporate tax rate is 15.00%, and the British Columbia provincial tax rate is 11.00%. The statutory federal tax rate in the US is unchanged at 35.00%.

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at November 30, 2016 and 2015 are summarized as follows:

| | 2016 (\$) | 2015 (\$) |
|--|--------------------|--------------|
| Non-capital losses carried forward and other | 1,982,000 | 1,926,000 |
| Capital losses carried forward | 154,000 | 154,000 |
| Undeducted share issuance costs | 11,000 | 23,000 |
| Oil and gas assets | 1,085,000 | 1,085,000 |
| Intangible assets and other | 843,000 | 909,000 |
| Total deferred tax assets | <u>4,075,000</u> | 4,097,000 |
| Less: Unrecognized deferred tax asset | <u>(4,075,000)</u> | (4,097,000) |
| Net deferred tax assets | <u>-</u> | <u>-</u> |

The potential benefits of these carry-forward non-capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Estimated non-capital Canadian losses that are available to reduce taxable income total \$3,665,000 expiring from 2030 to 2036. Estimated non-capital US losses that are available to reduce taxable income total \$2,932,000 expiring up to 2036.

ARCHER PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

11 Expenses**a) General and Administrative Expenses**

The Company incurred the following general and administrative expenses during the years ended November 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------|---------------|-------------|
| | (\$) | (\$) |
| Accounting and audit fees | 21,260 | 56,909 |
| Filing and transfer agent fees | 19,711 | 28,509 |
| Legal fees | 9,105 | 1,825 |
| Management fees | 42,000 | 93,528 |
| Office and miscellaneous | 1,921 | 38,112 |
| Shareholder communications | 1,768 | 15,238 |
| | 95,765 | 234,121 |

b) Realized Loss on Sale of Marketable Securities

On November 13, 2013, and amended on January 31, 2014, the Company entered into a subscription agreement with Global Resources Investment Trust plc ("GRIT"), a United Kingdom based company. On March 7, 2014, the Company issued 6,000,000 common shares at the fair value of \$1,200,000 to acquire 802,095 GRIT shares (£0.807 per share). During the year ended November 30, 2014, the Company sold 379,686 GRIT shares for net proceeds of \$199,421. The Company recorded a loss on sale of marketable securities of \$12,361. During the year ended November 30, 2015, the Company sold the remaining 422,409 GRIT shares for net proceeds of \$92,091 and recorded a loss on sale of marketable securities of \$123,041.

c) Write-Down of Intangible Assets

During the year ended November 30, 2013, the Company acquired non-exclusive rights to a chemical, (trade name Sandklene 950) and non-exclusive rights to certain application technology (the "Technology") related to application of the chemical for use in the recovery of bitumen and oil from oil and tar sands. In addition, the Company also acquired rights for the sale of the chemical outside of North America. The Technology requires further development by the Company to establish feasibility for commercial use. The agreements were entered into with Imperial Petroleum Inc. ("Imperial Petroleum") or one of its subsidiaries (Arrakis Oil Recovery, LLC, Mandalay Energy, LLC, Heskett Holding I, LLC and Phoenix Metals Inc. dba Imperial Chemical Company).

Pursuant to IAS 38, intangible assets not available for use are subject to an annual mandatory impairment test using the guidelines of IAS 36. The test is to be carried at the lowest identifiable cash generation unit ("CGU"). Management determined that the recoverable value, pursuant to IAS 36 guidelines, for the intangible assets held at the end of November 30, 2015 was nil and therefore recorded a write-down of \$3,085 to reduce the carrying amount to nil.

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

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

d) Write-Down of Exploration and Evaluation Assets

The company entered into the following agreements during the 2012, 2013, and 2014 years:

- On November 13, 2012, Mandalay Energy LLC ("Mandalay") entered into a mining lease agreement for an oil prospective tar sand acreage located in Logan County, Kentucky, USA (the "Davenport Property").
- On June 13, 2013, the Company entered into a purchase and sale agreement (the "Acquisition Agreement") with Arrakis Oil Recovery, LLC ("Arrakis").
- On April 16, 2014, the Company entered into a property option agreement to earn a 100% interest in the Kirkpatrick Lake Uranium Project, located in the north-eastern Athabasca Basin, Saskatchewan (the "Kirkpatrick Project").

During the year ended November 30, 2015, the Company abandoned these agreements and recorded a \$679,849 write-down of the carrying values to \$nil.

12 Related Party Transactions

The Company incurred the following expenditures during the years ended November 30, 2016 and 2015 that were charged by officers of the Company and / or companies they owned or were significant shareholders of:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|---------------|-------------|
| | (\$) | (\$) |
| General and administrative expenses | | |
| Accounting and legal fees | 11,651 | 24,840 |
| Management fees | 42,000 | 93,528 |
| | 53,651 | 118,368 |

Included in accounts payable and accrued liabilities as at November 30, 2016 is \$193,450 (November 30, 2015 – \$252,968) due to companies controlled by directors of the Company and to directors and officers of the Company.

During the year ended November 30, 2016, the Company recorded a gain on debt settlement of \$155,032 in relation to amounts due to a director of the Company.

Included in promissory notes (Note 8) as at November 30, 2016 is \$25,125 due to a director of the Company. Subsequent to November 30, 2016, the Company received an additional \$17,000 from a director of the Company.

Key management includes the Chief Executive Officer, the Chief Financial Officer, the Vice President of Operations and the directors of the Company. The compensation paid or payable to key management for services during the years ended November 30, 2016 and 2015 is identical to the table above.

ARCHER PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

13 Segment Information

The Company's operations are limited to a single industry, being oil and gas exploration and development. Geographic segmentation of the Company's income (loss) during the years ended November 30, 2016 and 2015 is as follows:

| | 2016 (\$) | 2015 (\$) |
|---------------|---------------|--------------------|
| Canada | 40,008 | (503,714) |
| United States | 33,633 | (594,828) |
| (Income) Loss | <u>73,641</u> | <u>(1,098,542)</u> |

14 Financial InstrumentsManagement of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its oil and gas properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, the convertible loan, as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

The Company is not subject to any capital requirements, nor did it change its approach to capital management during the year.

Designation of Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, convertible loan, and promissory notes. The Company designated its cash as loans and receivables, which are measured at amortized cost. Convertible loans, accounts payable and accrued liabilities, and promissory notes are designated as other financial liabilities, which are measured at amortized cost.

Fair Value of Financial Instruments

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.

ARCHER PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

- Level 2 – Values based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities, convertible loan, and promissory notes approximated their fair value because of the short-term nature of these instruments.

Discussions of risks associated with financial assets and liabilities are detailed below:

Foreign Exchange Risk

A portion of the Company's financial assets and liabilities are denominated in US dollars giving rise to risks from changes in the foreign exchange rates. The Company is exposed to currency exchange rate risk to the extent of its activities in the United States. The Company's currency risk is presently limited to US\$13,467 of net financial liabilities denominated in US dollars. Based on this exposure as at November 30, 2016, a 5% change in the US dollar exchange rate would give rise to a change in income (loss) and comprehensive income (loss) of approximately \$900. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

The currencies of the Company's financial instruments in Canadian dollar equivalents, as at November 30, 2016 were as follows:

| | US dollars |
|--|-----------------|
| Cash | - |
| Accounts payable and accrued liabilities | (18,085) |
| Convertible loan | - |
| Promissory notes | - |
| | <hr/> |
| Net balance sheet exposure | <u>(18,085)</u> |

The currencies of the Company's financial instruments in Canadian dollar equivalents, as at November 30, 2015 were as follows:

| | US dollars |
|--|------------------|
| Cash | 132 |
| Accounts payable and accrued liabilities | (158,814) |
| Convertible loan | - |
| | <hr/> |
| Net balance sheet exposure | <u>(158,682)</u> |

Future changes in exchange rates could have a material effect on the Company's business, financial condition and results of operations.

ARCHER PETROLEUM CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The majority of the Company's cash is held through a major Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered to be limited.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The convertible loan bears interest at a fixed rate of 11% and the promissory notes are non-interest bearing. The Company is not exposed to risk from fluctuations in market interest rates.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at November 30, 2016 and 2015, the Company had the following working capital deficiency:

| | 2016 | 2015 |
|----------------------------|-------------------------|-------------------------|
| | (\$) | (\$) |
| Current assets | 1,448 | 10,563 |
| Current liabilities | <u>(605,440)</u> | <u>(689,122)</u> |
| Working capital deficiency | <u><u>(603,992)</u></u> | <u><u>(678,559)</u></u> |

The ability of the Company to eliminate its working capital deficiency is dependent upon its ability to secure additional equity or other financing.

15 Subsequent Events

Please see Note 8 and Note 12.

ARCHER PETROLEUM CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MAY 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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

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

| | Notes | May 31, 2017 (\$) | November 30, 2016 (\$) |
|--|-------|-------------------------|------------------------------|
| ASSETS | | | |
| Current | | | |
| Cash | | 165,353 | 197 |
| GST recoverable | | 8,829 | 1,251 |
| Other assets | | 417 | - |
| | | <u>174,599</u> | <u>1,448</u> |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 4 | 72,725 | 385,315 |
| Convertible loan – liability component | 5 | - | 180,000 |
| Promissory notes | 6 | - | 40,125 |
| | | <u>72,725</u> | <u>605,440</u> |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | | |
| Share capital | 7, 10 | 22,123,295 | 21,406,529 |
| Contributed surplus | | 3,138,997 | 3,138,997 |
| Accumulated other comprehensive income | | 137,604 | 137,627 |
| Deficit | | <u>(25,298,022)</u> | <u>(25,287,145)</u> |
| | | <u>101,874</u> | <u>(603,992)</u> |
| | | <u>174,599</u> | <u>1,448</u> |

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 six months ended May 31, 2017 and 2016
(Unaudited - Expressed in Canadian Dollars)

| | Note | Three months ended May 31 | | Six months ended May 31 | |
|---|------|---------------------------|-----------------|-------------------------|-----------------|
| | | 2017 (\$) | 2016 (\$) | 2017 (\$) | 2016 (\$) |
| Expenses | | | | | |
| General and administrative | 8, 9 | 28,016 | 24,401 | 43,127 | 43,436 |
| Interest on convertible loan | 5 | 3,025 | 4,950 | 7,975 | 9,900 |
| Foreign exchange loss (gain) | | 228 | (6,927) | 77 | (4,675) |
| Accretion of convertible loan | 5 | - | 995 | - | 3,932 |
| Loss for the period before other item | | (31,269) | (23,419) | (51,179) | (52,593) |
| Other item | | | | | |
| Gain on debt settlement | | 40,302 | 188,799 | 40,302 | 188,799 |
| Income (loss) for the period | | 9,033 | 165,380 | (10,877) | 136,206 |
| Other comprehensive income (loss) | | | | | |
| Exchange differences on translation of foreign operations | | (70) | 1,547 | (23) | 1,030 |
| Total comprehensive income (loss) for the period | | 8,963 | 166,927 | (10,900) | 137,236 |
| Basic and diluted income (loss) per share | 7(e) | 0.00 | 0.06 | (0.00) | 0.05 |
| Weighted average number of shares outstanding | | 6,817,786 | 2,709,091 | 4,786,014 | 2,709,091 |

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 six months ended May 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 | - | - | - | - | 1,030 | 136,206 | 137,236 |
| Balance – May 31, 2016 | 2,709,091 | 21,406,529 | - | 3,138,997 | 137,731 | (25,224,580) | (541,323) |
| Loss and comprehensive loss for the period | - | - | - | - | (104) | (62,565) | (62,669) |
| 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 | - | - | - | - | (23) | (10,877) | (10,900) |
| Balance – May 31, 2017 | <u>11,709,091</u> | <u>22,123,295</u> | <u>-</u> | <u>3,138,997</u> | <u>137,604</u> | <u>(25,298,022)</u> | <u>101,874</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 six months ended May 31, 2017 and 2016
(Unaudited - Expressed in Canadian Dollars)

| | 2017 | 2016 |
|--|------------------|-----------|
| | (\$) | (\$) |
| Cash (used in) provided by | | |
| Operating activities | | |
| Income (loss) for the period | (10,877) | 136,206 |
| Add (deduct) items not involving cash: | | |
| Accretion of convertible loan | - | 3,932 |
| Gain on debt settlement | (40,302) | (188,799) |
| | (51,179) | (48,661) |
| Changes in non-cash working capital items related to operations: | | |
| GST recoverable | (7,578) | (1,536) |
| Prepaid expenses and other assets | (417) | 2,147 |
| Accounts payable and accrued liabilities | (272,311) | 11,324 |
| | (331,485) | (36,726) |
| Financing activities | | |
| Issuance of common shares | 720,000 | - |
| Share issuance costs | (3,234) | - |
| Proceeds from promissory notes | 32,000 | 30,000 |
| Repayment of promissory note | (72,125) | - |
| Repayment of convertible loan | (180,000) | - |
| | 496,641 | 30,000 |
| Increase (decrease) in cash during the period | 165,156 | (6,726) |
| Cash, beginning of the period | 197 | 7,414 |
| Cash, end of the period | 165,353 | 688 |
| Cash paid for interest | 60,775 | - |
| Cash paid for income taxes | - | - |

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 six months ended May 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 May 31, 2017, the Company had not yet achieved profitable operations, had an accumulated deficit of \$25,298,022 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 July 31, 2017.

ARCHER PETROLEUM CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

4 Accounts Payable and Accrued Liabilities

| | May 31, 2017 | November 30, 2016 |
|--|-------------------------|----------------------|
| | (\$) | (\$) |
| Trade payables | 65,657 | 139,065 |
| Interest payable on convertible loan (Note 5) | - | 52,800 |
| Amounts due to related parties (Note 9) | 7,068 | 193,450 |
| | <hr/> | <hr/> |
| Total accounts payable and accrued liabilities | 72,725 | 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) |
| | <hr/> | <hr/> |
| Balance – November 30, 2016 | 180,000 | - |
| Repayment | (180,000) | - |
| | <hr/> | <hr/> |
| Balance – May 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 six months ended May 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 six months ended May 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 six months ended May 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 six months ended May 31, 2017, the Company repaid the promissory notes totalling \$72,125.

The balance owing as at May 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 May 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, May 31, 2017 | 212,556 | 2.60 | 3.82 |

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

For the six months ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

At May 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 May 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 May 31, 2017 | - | - | - |

e) Basic and Diluted Loss per Share:

During the six months ended May 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 six months ended May 31, 2017 and 2016:

| | Three months ended May 31 | | Six months ended May 31 | |
|--------------------------------|---------------------------|--------------|-------------------------|--------------|
| | 2017 (\$) | 2016 (\$) | 2017 (\$) | 2016 (\$) |
| Accounting and audit fees | 7,828 | 8,659 | 9,276 | 9,392 |
| Filing and transfer agent fees | 4,963 | 2,780 | 7,244 | 9,214 |
| Legal fees | 1,839 | 2,279 | 1,839 | 2,279 |
| Management fees | 13,200 | 10,500 | 23,700 | 21,000 |
| Office and miscellaneous | 186 | 183 | 1,068 | 1,551 |
| | <u>28,016</u> | 24,401 | <u>43,127</u> | 43,436 |

ARCHER PETROLEUM CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

9 Related Party Transactions

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

| | Three months ended May 31 | | Six months ended May 31 | |
|-------------------------------------|---------------------------|-----------|-------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| | (\$) | (\$) | (\$) | (\$) |
| General and administrative expenses | | | | |
| Accounting and legal fees | 7,258 | 6,859 | 8,666 | 7,592 |
| Management fees | 13,200 | 10,500 | 23,700 | 21,000 |
| Gain on debt settlement | (40,302) | (155,032) | (40,302) | (155,032) |

Included in accounts payable and accrued liabilities as at May 31, 2017 is \$7,068 (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 May 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 six months ended May 31, 2017 and 2016 is identical to the table above.

10. Subsequent Eventa) Atlas Engineered Products Ltd.

On June 14, 2017, the Company entered into a binding agreement dated June 9, 2017 (the "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 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.

SCHEDULE “B” - MANAGEMENT DISCUSSION AND ANALYSIS OF ARCHER

Management Discussion and Analysis for Archer for the fiscal years ended November 30, 2016 and 2015 and for the six months ended May 31, 2017 are attached to this Filing Statement

ARCHER PETROLEUM CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information, prepared as of March 29, 2017, should be read in conjunction with the consolidated financial statements of Archer Petroleum Corp. (the "Company" or "Archer") for the year ended November 30, 2016. The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Forward-Looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This management's discussion and analysis ("MD&A") and in particular the "Outlook" section, contains forward-looking statements, including, without limitation, statements about the proposed oil and gas properties and financing activities. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of March 29, 2017.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks associated with conclusions of economic evaluations, as well as those factors discussed in the section entitled "Risks and Uncertainties". Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

Nature of Business

The Company is in the business of pursuing potential business opportunities as they arise and maintaining its public listing. During the year ended November 30, 2015, Archer determined not to proceed with its principal assets related to certain rights to Sandklene 950 and prospective oil properties located in Kentucky, U.S. Archer is now considering various business alternatives. Archer's common shares are listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "ARK". 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".

On March 31, 2016, the Company entered into a termination agreement with Phoenix Metals, Inc., Imperial Chemical Company and Aaron Wilson whereby the Company terminated the (i) chemical supply agreement dated February 23, 2013 and (ii) the sublicense agreement dated June 30, 2014. These agreements gave the Company certain rights to Sandklene 950. In consideration of the termination of those agreements, each of Phoenix Metals, Inc., Imperial Chemical Company

and Aaron Wilson released and discharged the Company of any obligations under those agreements and any indebtedness owed to them. Accordingly, during the year ended November 30, 2016, the Company recorded a gain on debt settlement of \$188,799.

Share Consolidation

On August 9, 2016, the TSXV approved the share structure of the Company by altering the consolidation of the issued and outstanding common shares on the basis of one (1) post-consolidation common share for every twenty (20) pre-consolidation common shares as approved by a special resolution by shareholders on July 14, 2016.

Management and Directors

On February 26, 2016, the Company announced the resignation of Craig Lindsay from the board of directors.

On July 14, 2016, the Company held its Annual General Meeting. At the meeting, shareholders approved the appointment of an additional director, Kirk D. Gamley. The current directors of the Company are Colin Bowkett, Aaron Wilson, Rob McMorran and Kirk D. Gamley.

Oil-Sand Extraction Technology

As a result of the significant decline in oil and gas prices, the Company has determined not to proceed with the development of Sandklene 950. At November 30, 2015, the Company wrote off all assets relating to its previously acquired non-exclusive rights to the Sandklene 950 for use in the recovery of bitumen and oil from oil and tar sands from Imperial Chemical Company as a result of a decline in oil and gas prices.

Properties

Davenport Property and Peak Project – Kentucky, U.S.

During the year ended November 30, 2015, the Company wrote off the Davenport Property and the Peak Project as the Company determined not to proceed with the development of Sandklene 950.

Kirkpatrick Lake Uranium Project

At November 30, 2015, the Company wrote off the Kirkpatrick Lake Uranium Project.¹⁴ The Company decided not to proceed with the option agreement and the Company did not make the required cash option payment of \$500,000 on or before October 16, 2015.

Selected Annual Information

The Company's fiscal period ends on November 30th of each year. The following is a summary of certain selected audited financial information for the last three completed fiscal years:

| | 2016 (\$) | 2015 (\$) | 2014 (\$) |
|--|-----------|-------------|-------------|
| Total Revenues | - | - | - |
| Income (loss) for the year | 73,641 | (1,098,542) | (2,510,613) |
| Income (loss) per share (basic and diluted) ⁽¹⁾ | 0.03 | (0.41) | (0.06) |
| Total Assets | 1,448 | 10,563 | 977,436 |
| Loan, excluding interest | 180,000 | 176,068 | 164,796 |
| Dividends Declared | - | - | - |

⁽¹⁾ The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options.

The income for the year ended November 30, 2016 includes a gain on debt settlement of \$188,799. The loss for the year ended November 30, 2015 includes an impairment of exploration and evaluation assets of \$679,849 and an impairment of intangible assets of \$3,085. The loss for the year ended November 30, 2014 includes a loss on the settlement of a mineral property agreement of \$450,000, impairment of marketable securities of \$773,086, write-down of intangible assets of \$442,035, and share-based payments expense of \$124,168.

Results of Operations

Year ended November 30, 2016

The Company recorded income of \$73,641 (\$0.03 per share) for the year ended November 30, 2016 as compared to a loss of \$1,098,542 (\$0.41 per share) for the year ended November 30, 2015. The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported income (loss) to produce an adjusted loss that forms a better basis for comparing the year over year operating results of the Company.

| | 2016 (\$) | 2015 (\$) |
|---|-----------|-------------|
| Income (loss) for the year as reported | 73,641 | (1,098,542) |
| Share-based payment expense | - | 3,665 |
| Accretion of convertible loans | 3,932 | 11,272 |
| Realized loss on sale of marketable securities | - | 123,041 |
| Write-down of intangible assets | - | 3,085 |
| Write-down of exploration and evaluation assets | - | 679,849 |
| Gain on debt settlement | (188,799) | - |
| Adjusted loss for the year ⁽¹⁾ | (111,226) | (277,630) |

⁽¹⁾ Adjusted loss for the period is not a term recognized under IFRS.

Comments regarding certain of these items are as follows:

- Share-based payment expense is the vesting of previously granted stock options.
- During the year ended November 30, 2015, the Company sold 422,409 GRIT shares for net proceeds of \$92,901 and recorded a loss on sale of marketable securities of \$123,041.
- At November 30, 2015, the Company wrote-down all intangible assets to \$nil and recorded a write-down of \$3,085.
- The Company wrote-off all exploration and evaluation assets during the year ended November 30, 2015.
- During the current period, the Company entered into a debt settlement agreement with vendors who assisted the Company with the Sandklene 950 business. Effective March 31, 2016, the vendors agreed to terminate the agreements relating to the Sandklene 950 business in exchange for releasing and discharging the Company of any obligations under those agreements and any indebtedness owed to them.

The decrease in adjusted loss for the period is the result of a decrease in general and administrative expenses of 59% from \$234,121 to \$95,765. The largest decreases were in management fees (\$93,528 to \$42,000), office and miscellaneous (\$38,112 to \$1,921), and accounting and audit fees (\$56,909 to \$21,260). These general and administrative expenses are lower in the year ended November 30, 2016 due to the Company's decreased activity.

Quarterly Results

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended November 30, 2016.

| | Three months ended (\$) | | | |
|--|-------------------------|--------------------|-----------------|----------------------|
| | November 30, 2016 | August 31, 2016 | May 31, 2016 | February 29, 2016 |
| Total revenue | - | - | - | - |
| (Loss) income | (28,280) | (34,285) | 165,380 | (29,174) |
| (Loss) income per share (basic) ⁽¹⁾ | (0.01) | (0.01) | 0.06 | (0.01) |
| Total assets | 1,448 | 2,952 | 3,226 | 7,840 |

| | Three months ended (\$) | | | |
|---------------------------------------|-------------------------|--------------------|-----------------|----------------------|
| | November 30, 2015 | August 31, 2015 | May 31, 2015 | February 28, 2015 |
| Total revenue | - | - | - | - |
| Loss | (742,199) | (8,085) | (232,207) | (116,051) |
| Loss per share (basic) ⁽¹⁾ | (0.27) | (0.00) | (0.09) | (0.04) |
| Total assets | 10,563 | 698,634 | 674,223 | 849,788 |

⁽¹⁾ The basic and diluted calculations result in the same values.

The income recorded during the quarter ended May 31, 2016 is the result of the Company recording a gain on debt settlement of \$188,799. Total assets decreased and the loss increased during the quarter ended November 30, 2015 due to the write-down of intangible assets of \$3,085 and exploration and evaluation assets of \$679,849. The loss decreased during the quarter ended August 31, 2015 due to reversing previously accrued management fees and rent expense.

Financing Activities and Capital Expenditures

During the year ended November 30, 2016, the Company entered into promissory note agreements totaling \$40,125. The promissory notes are non-interest bearing, unsecured and due on demand. Proceeds were used to finance the Company's corporate activities and to continue its operations. Subsequent to November 30, 2016, the Company received an additional \$32,000 from a director of the Company and a third party.

On August 9, 2016, the TSXV approved the share structure of the Company by altering the consolidation of the issued and outstanding common shares on the basis of one (1) post-consolidation common share for every twenty (20) pre-consolidation common shares as approved by a special resolution by shareholders on July 14, 2016. As at November 30, 2016, the Company has 2,709,091 post-consolidated common shares issued and outstanding. As required by IAS 33 Earnings per Share, all references to share capital, common shares outstanding and per share amounts in these consolidated financial statements and the accompanying notes for time periods prior to the share consolidation have been restated to reflect the 20:1 share consolidation.

During the year ended November 30, 2015, the Company sold 422,409 GRIT shares for net proceeds of \$92,901 and recorded a loss on sale of marketable securities of \$123,041.

Liquidity and Capital Resources

The Company's operations consumed approximately \$110,000 of cash (before working capital items) for the year ended November 30, 2016 (2015 - \$283,000). The cash requirement was funded from the cash on hand at the beginning of the period and from the promissory notes (\$30,000) and advances (\$10,125).

The Company's financing activities during the year ended November 30, 2016 included proceeds of \$40,125 from promissory notes. Subsequent to November 30, 2016, the Company received an additional \$32,000 of advances from a director of the Company and a third party.

The Company's aggregate operating, investing and financing activities during the year ended November 30, 2016, resulted in a net decrease in its cash balance by \$7,217 to \$197 at November 30, 2016.

During the year ended November 30, 2016, the Company's working capital deficiency decreased by approximately \$75,000 leading to working capital deficiency of approximately \$604,000 at November 30, 2016.

The Company will require additional capital to pursue potential business opportunities.

Transactions with Related Parties

The Company incurred the following expenditures during the years ended November 30, 2016 and 2015 that were charged by officers of the Company and / or companies they owned or were significant shareholders of:

| | <u>2016</u> | <u>2015</u> |
|--|---------------|----------------|
| | (\$) | (\$) |
| General and administrative expenses | | |
| Accounting and legal fees ⁽¹⁾ | 11,651 | 24,840 |
| Management fees ⁽²⁾ | 42,000 | 93,528 |
| | <u>53,651</u> | <u>118,368</u> |

⁽¹⁾ The charges include accounting and corporate secretary fees billed by Malaspina Consultants Inc., a company owned by an officer of the Company, Rob McMorrان.

⁽²⁾ The charges include fees billed by Colin Bowkett and Aaron Wilson, officers of the Company.

Included in accounts payable and accrued liabilities as at November 30, 2016 is \$193,450 (November 30, 2015 – \$252,968) due to companies controlled by directors of the Company and to directors and officers of the Company.

During the year ended November 30, 2016, the Company recorded a gain on debt settlement of \$155,032 in relation to unpaid management fees owed to Aaron Wilson, a director of the Company.

Included in promissory notes as at November 30, 2016 is \$25,125 due to Colin Bowkett, a director of the Company. Subsequent to November 30, 2016, the Company received an additional \$17,000 of advances from Colin Bowkett, a director of the Company.

Key management includes the Chief Executive Officer, the Chief Financial Officer, the Vice President of Operations and the directors of the Company. The compensation paid or payable to key management for services during the years ended November 30, 2016 and 2015 is identical to the table above.

Financial Instruments

Designation of Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, convertible loan, and promissory notes. The Company designated its cash as loans and receivables, which are measured at amortized cost. Convertible loans, accounts payable and accrued liabilities, and promissory notes are designated as other financial liabilities, which are measured at amortized cost.

Discussions of risks associated with financial assets and liabilities are detailed below:

Foreign Exchange Risk

A portion of the Company's financial assets and liabilities are denominated in US dollars giving rise to risks from changes in the foreign exchange rates. The Company is exposed to currency exchange rate risk to the extent of its activities in the United States. The Company's currency risk is presently limited to US\$13,467 of net financial liabilities denominated in US dollars. Based on this exposure as at November 30, 2016, a 5% change in the US dollar exchange rate would give rise to a change in loss and comprehensive loss of approximately \$900. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

The currencies of the Company's financial instruments in Canadian dollar equivalents, as at November 30, 2016 were as follows:

| | US Dollars |
|--|-----------------|
| Cash | - |
| Accounts payable and accrued liabilities | (18,085) |
| Convertible loan | - |
| Promissory notes | - |
| Net balance sheet exposure | <u>(18,085)</u> |

The currencies of the Company's financial instruments in Canadian dollar equivalents, as at November 30, 2015 were as follows:

| | US Dollars |
|--|------------------|
| Cash | 132 |
| Accounts payable and accrued liabilities | (158,814) |
| Convertible loan | - |
| Net balance sheet exposure | <u>(158,682)</u> |

Future changes in exchange rates could have a material effect on the Company's business, financial condition and results of operations.

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The majority of the Company's cash is held through a major Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered to be limited.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The convertible loan bears interest at a fixed rate of 11% and the promissory notes are non-interest bearing. The Company is not exposed to risk from fluctuations in market interest rates.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. The Company had the following working capital deficiencies:

| | November 30, 2016 (\$) | November 30, 2015 (\$) |
|----------------------------|---------------------------------------|------------------------------|
| Current assets | 1,448 | 10,563 |
| Current liabilities | (605,440) | (689,122) |
| Working capital deficiency | (603,992) | (678,559) |

The ability of the Company to eliminate its working capital deficiency is dependent upon its ability to secure additional equity or other financing.

Subsequent Event

Subsequent to November 30, 2016, the Company received an additional \$32,000 of advances from Colin Bowkett, director of the Company and a third party.

Outstanding Share Data

a) Authorized:

Unlimited common shares without par value
Unlimited preference shares issuable in series

b) Issued and outstanding:

2,790,091 common shares as at March 29, 2017.

c) Outstanding options and warrants as at March 29, 2017:

| Type of Security | Number | Exercise Price | Expiry Date |
|------------------|---------|----------------|-------------------|
| Options | 125,000 | \$ 1.40 | November 28, 2019 |
| Options | 82,556 | \$ 4.00 | February 14, 2023 |
| Options | 5,000 | \$ 8.00 | April 9, 2023 |
| | 212,556 | | |

Outlook

The Company has determined not to proceed with development of the Sandklene 950 technology and the related exploration and evaluation assets. The Company is considering various business opportunities.

Disclosure Controls and Procedures

In connection with National Instrument 52-109 (Certificate 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 condensed interim consolidated financial statements for the year ended November 30, 2016 and this accompanying MD&A (together the "Annual Filings").

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 the Annual Filings on SEDAR at www.sedar.com.

Risks and Uncertainties

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Financial risks include fluctuating commodity prices and interest rates, all of which are beyond the Company's control.
- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

ARCHER PETROLEUM CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information, prepared as of July 31, 2017, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Archer Petroleum Corp. (the "Company" or "Archer") for the six months ended May 31, 2017, together with the audited consolidated financial statements of the Company for the year ended November 30, 2016 and the accompanying Management's Discussion and Analysis ("MD&A") for that fiscal year. The referenced unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

The Company's critical accounting estimates, significant accounting policies and risk factors as disclosed in the Annual MD&A have remained substantially unchanged and are still applicable to the Company unless otherwise indicated.

Forward-Looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A and in particular the "Outlook" section, contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of July 31, 2017.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks associated with conclusions of economic evaluations, as well as those factors discussed in the section entitled "Risks and Uncertainties". Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation, except as required by securities law, to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

Nature of Business

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".

Company Highlights

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. The proceeds from the private placement were used to retire corporate indebtedness and/or generate working capital.

Management Changes

On May 30, 2017, the Company announced the appointments of Guy Champagne as director, CEO and president and Carmen Amezcua Hernandez as Chief Financial Officer of the Company. Concurrently, the Company announced the resignation of Colin Bowkett as director and President and Aaron Wilson as director. Robert McMorran has resigned as Chief Financial Officer but will continue to serve as a director of the Company.

Guy Champagne is an accomplished businessman and entrepreneur and currently serves as a director of ImmunoPrecise Antibodies Ltd. Since January 2014, Mr. Champagne has been actively involved in the management and operation of a group of various privately-owned companies including: President of Aequitor Inc. and Vice President of Real Estate Webmasters Inc. Mr. Champagne served as Managing Partner and Senior Partner of BDC Consulting from 2006 until his retirement in December 2013. Mr. Champagne maintained his designation as a Certified Management Consultant (Canadian Association of Certified Management Consultants) until 2016 and expanded his education by completing the Canadian Securities Course and the Canadian Institute of Chartered Business Valuators training program for the Chartered Business Valuator designation.

Carmen Amezcua Hernandez is a Chartered Professional Accountant and has over five years experience working with public companies. Ms. Amezcua currently serves as Chief Financial Officer of Silver One Resources Inc. Previously, Ms. Amezcua has acted as the controller for a number of public companies.

Atlas Engineered Products Ltd.

On June 14, 2017, the Company entered into a binding agreement (the "Agreement") dated June 9, 2017 with Atlas Engineered Products Ltd. ("Atlas") and the shareholders of Atlas whereby the Company has agreed to acquire all of the issued and outstanding shares of Atlas (the "Transaction"). Upon completion of the transaction, the Company will become a Tier 2 industrial issuer on the TSX Venture Exchange.

Atlas is a company incorporated in the Province of British Columbia and is controlled by three principal shareholders. Atlas is a leading manufacturer of trusses and engineered wood products on Central Vancouver Island.

Under the terms of the Agreement, the Company will (A) pay the principal shareholders \$1,000,000 and (B) issue such number of 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 and Financing (as defined below). The Company anticipates that approximately 5,961,364 common shares of the Company will be issued to the Shareholders of Atlas.

In conjunction with closing the Transaction, the Company plans to change its name to "Atlas Engineered Products Ltd." and complete a proposed private placement offering of 6,250,000 common shares of the Company at a price of \$0.40 per share for gross proceeds of \$2,500,000 (the "Financing").

Following closing of the Transaction and the Financing, the Company anticipates that it will have approximately 23,920,455 common shares issued and outstanding. The proceeds of the Financing will be used to fund the development and marketing of Atlas' products and for general working capital purposes.

Subject to acceptance by the Exchange, the Company may pay a finders' fee in cash and/or by the issuances of warrants.

Completion of the Transaction is subject to approval of the Exchange, the board of directors and shareholders and completing the Financing.

Results of Operations

Three months ended May 31, 2017

The Company recorded income of \$9,033 (\$0.00 per share) for the three months ended May 31, 2017 as compared to income of \$165,380 (\$0.06 per share) for the three months ended May 31, 2016. The income is the result of the Company recording a gain on debt settlement of \$40,302.

Six months ended May 31, 2017

The Company recorded a loss of \$10,877 (\$0.00 per share) for the six months ended May 31, 2017 as compared to income of \$136,206 (\$0.05 per share) for the six months ended May 31, 2016. The income recorded during 2016 is the result of the Company recording a gain on debt settlement of \$188,799.

Quarterly Results

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended May 31, 2017.

| | Three months ended (\$) | | | |
|--|-------------------------|----------------------|----------------------|--------------------|
| | May 31, 2017 | February 28, 2017 | November 30, 2016 | August 31, 2016 |
| Total revenue | - | - | - | - |
| (Loss) income | 9,033 ² | (19,910) | (28,280) | (34,285) |
| (Loss) income per share (basic) ⁶ | 0.00 | (0.01) | (0.01) | (0.01) |
| Total assets | 174,599 ¹ | 32,310 ³ | 1,448 | 2,952 |

| | Three months ended (\$) | | | |
|-------------------------------------|-------------------------|----------------------|----------------------|--------------------|
| | May 31, 2016 | February 29, 2016 | November 30, 2015 | August 31, 2015 |
| Total revenue | - | - | - | - |
| Loss | 165,380 ⁴ | (29,174) | (742,199) | (8,085) |
| Loss per share (basic) ⁶ | 0.06 | (0.01) | (0.27) | (0.00) |
| Total assets | 3,226 | 7,840 | 10,563 ⁵ | 698,634 |

1. Total assets increased during the quarter ended May 31, 2017 as a result of the Company closing a private placement, issuing 9,000,000 common shares for gross proceeds of \$720,000.
2. The income recorded during the quarter ended May 31, 2017 is the result of the Company recording a gain on debt settlement of \$40,302.
3. Total assets increased during the quarter ended February 28, 2017 as a result of advances totaling \$32,000 received from a director of the Company and a third party which are non-interest bearing, unsecured and due of demand.
4. The income recorded during the quarter ended May 31, 2016 is the result of the Company recording a gain on debt settlement of \$188,799.
5. Total assets decreased and the loss increased during the quarter ended November 30, 2015 due to the write-down of intangible assets of \$3,085 and exploration and evaluation assets of \$679,849.
6. The basic and diluted calculations result in the same values.

Financing Activities and Capital Expenditures

During the six months ended May 31, 2017, the Company received \$32,000 pursuant to promissory note agreements entered into on March 8, 2016. The promissory notes were non-interest bearing, unsecured and due on demand. Proceeds were used to finance the Company's corporate activities and to continue its operations. On April 25, 2017, the Company repaid the promissory notes totaling \$72,125.

On April 20, 2017, the Company closed a non-brokered private placement of 9,000,000 common shares a price of \$0.08 per share for gross proceeds of \$720,000.

On April 25, 2017, the Company repaid the principal of \$180,000 and interest of \$67,775 for the Convertible Loan.

Liquidity and Capital Resources

The Company's operations consumed \$51,179 of cash (before working capital items) for the six months ended May 31, 2017 (2016 - \$48,661). The cash requirement was funded from the cash on hand at the beginning of the period, the advances (\$32,000) and the private placement (\$720,000).

The Company's financing activities during the six months ended May 31, 2017 included proceeds of \$32,000 from promissory notes, \$720,000 from the private placement and repayments of promissory notes totaling \$72,125 and the principal portion of the convertible loan of \$180,000.

The Company's aggregate operating, investing and financing activities during the six months ended May 31, 2017, resulted in a net increase in its cash balance of \$165,156 to \$165,353 at May 31, 2017.

The Company had working capital at May 31, 2017 of \$101,874 compared to a working capital deficiency of \$603,992 at November 30, 2016.

The Company will require additional capital to pursue potential business opportunities.

Transactions with Related Parties

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

| | Three months ended May 31 | | Six months ended May 31 | |
|--|---------------------------|-----------|-------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| | (\$) | (\$) | (\$) | (\$) |
| General and administrative expenses | | | | |
| Accounting and legal fees ⁽¹⁾ | 7,258 | 6,859 | 8,666 | 7,592 |
| Management fees ⁽²⁾ | 13,200 | 10,500 | 23,700 | 21,000 |
| Gain on debt settlement | (40,302) | (155,032) | (40,302) | (155,032) |

⁽¹⁾ The charges include accounting and corporate secretary fees billed by Malaspina Consultants Inc., a company owned by a director and former officer of the Company, Rob McMorran.

⁽²⁾ The charges include fees billed by Colin Bowkett, former officer and director and Aaron Wilson, former director of the Company.

Included in accounts payable and accrued liabilities as at May 31, 2017 is \$7,068 (November 30, 2016 – \$193,450) due to companies controlled by directors of the Company and to directors and officers of the Company.

During the six months ended May 31, 2017, the Company recorded a gain on debt settlement of \$40,302 in relation to unpaid office overhead fees owed to Robert McMorran, 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 six months ended May 31, 2017 and 2016 is identical to the table above.

Financial Instruments

Designation of Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities. The Company designated its cash as loans and receivables, which are measured at amortized cost. Accounts payable are designated as other financial liabilities, which are measured at amortized cost.

Outstanding Share Data

a) Authorized:

Unlimited common shares without par value.
Unlimited preference shares issuable in series.

b) Issued and outstanding:

11,790,091 common shares as at July 31, 2017.

c) Outstanding options and warrants as at July 31, 2017:

| Type of Security | Number | Exercise Price | Expiry Date |
|------------------|---------|----------------|-------------------|
| Options | 125,000 | \$ 1.40 | November 28, 2019 |
| Options | 82,556 | \$ 4.00 | February 14, 2023 |
| Options | 5,000 | \$ 8.00 | April 9, 2023 |
| | 212,556 | | |

Outlook

The Company intends to complete the Transaction with Atlas and become a Tier 2 industrial issuer on the TSX Venture Exchange. In conjunction with the Transaction, the Company intends to complete the proposed private placement offering of 6,250,000 common shares of the Company at a price of \$0.40 per share for gross proceeds of \$2,500,000 to fund the development and marketing of Atlas' products and general working capital purposes.

Disclosure Controls and Procedures

In connection with National Instrument 52-109 (Certificate 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 condensed interim consolidated financial statements for the six months ended May 31, 2017 and this accompanying MD&A (together the "Interim Filings").

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 the Annual Filings on SEDAR at www.sedar.com.

Risks and Uncertainties

The Company has incurred significant losses since inception. The continued operations of the Company are dependent on its ability to generate future cash flow and obtain additional financing. The Company has traditionally financed its cash requirements through the issuance of common shares. If the Company is unable to generate cash from operations or obtain additional financing its ability to continue as a going concern could be impeded.

SCHEDULE "C" - FINANCIAL STATEMENTS OF ATLAS

Audited financial statements for Atlas for the fiscal years ended May 31, 2017 and 2016 are attached to this Filing Statement.

Atlas Engineered Products Ltd.

Annual Financial Statements

For the years ended May 31, 2017 and 2016
(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Atlas Engineered Products Ltd.

We have audited the accompanying financial statements of Atlas Engineered Products Ltd., which comprise the statement of financial position as at May 31, 2017, and the statement of income and comprehensive income, statement of cash flows and statement of changes in equity (deficit) for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Atlas Engineered Products Ltd. as at May 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

"Wolrige Mahon LLP"

CHARTERED PROFESSIONAL ACCOUNTANTS

October 23, 2017
Vancouver, B.C.

Atlas Engineered Products Ltd.
Statements of Financial Position
(Expressed in Canadian dollars)

| | Note | May 31, 2017 | May 31, 2016 | June 1, 2015 |
|---|--------|------------------|------------------|------------------|
| | | audited \$ | unaudited \$ | unaudited \$ |
| Assets | | | | |
| Current | | | | |
| Cash | | 234,848 | 111,766 | 393 |
| Accounts receivable | 4 | 893,104 | 494,967 | 337,140 |
| Inventories | 5 | 183,757 | 165,997 | 202,773 |
| Prepaid expenditures | | 2,366 | 3,155 | 3,877 |
| | | 1,314,075 | 775,885 | 544,183 |
| Non-current | | | | |
| Shareholder loan | 15 | - | - | 206,903 |
| Building and equipment | 6 | 1,589,129 | 1,746,582 | 608,593 |
| Due from related parties | 15, 20 | 744,611 | 2,002,597 | 1,321,364 |
| Deferred income tax asset | 14 | 10,738 | 3,584 | - |
| Total Assets | | 3,658,553 | 4,528,648 | 2,681,043 |
| Liabilities | | | | |
| Current | | | | |
| Bank indebtedness | | - | - | 43,667 |
| Accounts payable and accrued liabilities | 7 | 919,488 | 973,176 | 1,007,450 |
| Customer deposits | | 152,020 | 315,875 | 154,292 |
| Corporate income taxes payable | | 181,414 | 88,964 | 114,472 |
| Current portion of lease obligations | 8 | 303,573 | 267,954 | 192,590 |
| Current portion of long-term debt | 9 | 29,040 | 31,200 | 76,800 |
| Preferred share liabilities | 10, 20 | 1,000,000 | 1,000,000 | 1,000,000 |
| | | 2,585,535 | 2,677,169 | 2,589,271 |
| Non-current | | | | |
| Lease obligations | 8 | 994,967 | 1,207,326 | 85,884 |
| Long-term debt | 9 | 502,941 | 330,000 | 61,200 |
| | | 4,083,443 | 4,214,495 | 2,736,355 |
| Shareholders' Equity (Deficit) | | | | |
| Share capital | 11(b) | 101 | 101 | 101 |
| Retained earnings (deficit) | | (424,991) | 314,052 | (55,413) |
| | | (424,890) | 314,153 | (55,312) |
| Total Liabilities and Shareholders' Equity | | 3,658,553 | 4,528,648 | 2,681,043 |

Nature of operations and going concern – Note 1
Commitments – Note 19
Subsequent events – Note 20

APPROVED BY THE DIRECTOR

Hadi Abassi Director

Atlas Engineered Products Ltd.
Statements of Income and Comprehensive Income
For the years ended May 31, 2017 and 2016
(Expressed in Canadian dollars)

| | Note | May 31, 2017 audited \$ | May 31, 2016 unaudited \$ |
|--|-----------|----------------------------------|------------------------------------|
| Revenue | 12 | 8,076,027 | 5,638,788 |
| Cost of sales | 13 | (5,987,828) | (4,551,463) |
| Gross profit | | 2,088,199 | 1,087,325 |
| Operating expenses | | | |
| Administrative and office | 15 | 130,332 | 102,526 |
| Depreciation | 6 | 139,270 | 114,738 |
| Bad debt expense | | 58,642 | 91,478 |
| Management fees | 15 | 39,520 | - |
| Professional fees | | 9,192 | 11,581 |
| Salaries and benefits | 15 | 169,338 | 145,156 |
| Operating income | | 1,541,905 | 621,846 |
| Interest earned | | 394 | 355 |
| Interest expense and other | | (165,753) | (139,567) |
| Finance charge on leases | 8 | (91,357) | (47,040) |
| Gain (loss) on disposal of equipment | | 10,750 | (3,288) |
| Write-down of due from related party | 20 | (1,755,671) | - |
| Income before tax | | (459,732) | 432,306 |
| Income tax expense | 14 | (279,311) | (62,841) |
| Net (loss) income for the year | | (739,043) | 369,465 |
| (Loss) earnings per share | | | |
| Basic and diluted | | (732) | 366 |
| Weighted average number of shares outstanding | | | |
| Basic and diluted | | 1,010 | 1,010 |

Atlas Engineered Products Ltd.
Statements of Cash Flows
For the years ended May 31, 2017 and 2016
(Expressed in Canadian dollars)

| | May 31, 2017 | May 31, 2016 |
|--|-------------------------|-------------------------|
| | audited | unaudited |
| | \$ | \$ |
| Cash provided by (used in): | | |
| Operating activities | | |
| Net (loss) income for the year | (739,043) | 369,465 |
| Depreciation | 372,218 | 374,299 |
| (Gain) loss on disposal of equipment | (10,750) | 3,288 |
| Deferred income tax recovery | (7,154) | (3,584) |
| Write-down of related party loan | 1,755,671 | - |
| Changes in non-cash working capital items | | |
| Accounts receivable | (398,137) | (157,827) |
| Inventories | (17,760) | 36,776 |
| Prepaid expenses | 789 | 722 |
| Accounts payable and accrued liabilities | (53,688) | (77,941) |
| Customer deposits | (163,855) | 161,583 |
| Corporate income taxes payable | 92,450 | (25,508) |
| | 830,741 | 681,273 |
| Investing activities | | |
| Acquisition of equipment | (120,755) | (24,781) |
| Proceeds from disposal of equipment | 20,000 | 4,000 |
| Advances to Coastal Windows Ltd. | (497,685) | (681,233) |
| | (598,440) | (702,014) |
| Financing activities | | |
| Receipt of amount receivable from shareholder loan | - | 206,903 |
| Payment of lease obligations | (280,000) | (297,989) |
| Issuance of long-term debt | 213,881 | 300,000 |
| Repayment of long-term debt | (43,100) | (76,800) |
| | (109,219) | 132,114 |
| Increase in cash | 123,082 | 111,373 |
| Cash - beginning of year | 111,766 | 393 |
| Cash - end of year | 234,848 | 111,766 |
| Cash paid during the year for: | | |
| Interest | 98,810 | 37,860 |
| Income taxes | 193,444 | - |

Supplemental cash flow information – Note 16

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

| | Number of Common Shares | Share Capital | Retained Earnings (Deficit) | Total |
|--|-------------------------------|---------------|-----------------------------------|-----------|
| | | \$ | \$ | \$ |
| Balance, June 1, 2015 - unaudited | 1,010 | 101 | (55,413) | (55,312) |
| Net income for the year | - | - | 369,465 | 369,465 |
| Balance, May 31, 2016 - unaudited | 1,010 | 101 | 314,052 | 314,153 |
| Net loss for the year | - | - | (739,043) | (739,043) |
| Balance, May 31, 2017 - audited | 1,010 | 101 | (424,991) | (424,890) |

Atlas Engineered Products Ltd.
Notes to the Financial Statements
For the years ended May 31, 2017 and 2016
(Expressed in Canadian dollars)

1. Nature of operations and going concern

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. The company’s principal activities involve manufacturing trusses for commercial and residential buildings and delivering to their customers on Vancouver Island and the Lower Mainland.

These 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.

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

2. Basis of preparation

Statement of compliance and functional currency

These financial statements have been presented in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the period ended May 31, 2017.

These financial statements have been prepared on a historical cost basis. These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

These financial statements were approved for issue by the Board of Directors on October 20, 2017.

3. Accounting policies

These financial statements have been prepared using the following accounting policies:

Inventory

Inventory is valued at the lower of cost and net realizable value. Net realizable value is the amount estimated to be obtained from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale. The cost of inventories is determined on a first in, first out basis, and includes all costs of purchase, costs of conversion and other costs in bringing the inventories to their present location and condition. The costs of purchase include the purchase price, import duties and non-recoverable taxes, transport, handling, and other costs directly attributable to the acquisition of finished goods, materials, or services. The costs of conversion include direct materials and labour costs and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods.

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

Atlas Engineered Products Ltd.
Notes to the Financial Statements
For the years ended May 31, 2017 and 2016
(Expressed in Canadian dollars)

3. Accounting policies (continued)

Building and equipment

Building and equipment is stated at historical cost net of accumulated depreciation and impairment losses.

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

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

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

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

| | |
|-----------------------------------|-----------------|
| Office furniture and Equipment | 20% |
| Vehicles | 30% |
| Computer equipment/software | 30%/100% |
| Signage | 20% |
| Parking lot | 8% |
| Building and vehicles under lease | over lease term |

Impairment of non-financial assets

The Company performs impairment tests on non-financial assets when events or circumstances occur which indicate the carrying amount of the assets may not be recoverable.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

The recoverable amount is the higher of the fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units" or "CGUs"). These are typically identified by individual product line. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset.

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

Atlas Engineered Products Ltd.
Notes to the Financial Statements
For the years ended May 31, 2017 and 2016
(Expressed in Canadian dollars)

3. Accounting policies (continued)

Leases and Right-of-Use assets

Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets. Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

Revenue

The Company's primary source of revenue is from the sale of trusses, engineered wood products, other building products, and freight. Revenue is recognized in line with the following model:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the Company can identify each party's rights regarding the goods or services to be transferred (i.e. the performance obligations);
- the Company can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract); and
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Company recognizes revenue when it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset.

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

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

Atlas Engineered Products Ltd.
Notes to the Financial Statements
For the years ended May 31, 2017 and 2016
(Expressed in Canadian dollars)

3. Accounting policies (continued)

Revenue (continued)

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

Earnings per share

Earnings per share is calculated by dividing the net income for the period available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. Basic and diluted earnings per share are the same for the periods presented as no stock options or other dilutive instruments were outstanding during the periods presented.

Income taxes

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

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

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

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

Financial assets

All financial assets are initially either designated as at fair value through profit or loss ("FVTPL") or classified into one of the following three categories: held-to-maturity, available-for-sale, or loans and receivables.

All financial assets are initially recorded at fair value as adjusted for transactions costs, except for FVTPL assets where the transactions costs are expensed as incurred. The transaction costs associated with all other financial assets are included in the initial carrying amount of the asset and amortized to income or loss as part of the application of the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Atlas Engineered Products Ltd.
Notes to the Financial Statements
For the years ended May 31, 2017 and 2016
(Expressed in Canadian dollars)

3. Accounting policies (continued)

Financial assets (continued)

Financial assets are designated as FVTPL to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Financial assets designated as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost. Such losses are recorded in profit or loss.

Financial liabilities

All financial liabilities are initially designated as FVTPL or classified as other financial liabilities.

Financial liabilities designated as FVTPL are initially and subsequently recorded at fair value with transactions costs expensed as incurred. Fair value changes on financial liabilities designated as FVTPL are recognized through profit or loss. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities designated as FVTPL include financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments.

Preferred shares that are legally termed preference shares are classified as either a liability or equity depending on the contractual terms of the shares. Preferred shares that have a mandatory redemption feature at a future date, or at the option of the holder, are recognized as a liability.

Impairment of financial assets

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

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

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

Atlas Engineered Products Ltd.
Notes to the Financial Statements
For the years ended May 31, 2017 and 2016
(Expressed in Canadian dollars)

3. Accounting policies (continued)

De-recognition of financial assets and liabilities

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in profit or loss.

Segment reporting

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management, collectively the chief operating decision maker, in assessing performance and in determining the allocation of resources.

Critical judgments 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:

a) Going concern

In preparing these financial statements on a going concern basis, as is disclosed in Note 1 of these financial statements, management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months.

Key sources of estimation uncertainty

The preparation of financial statements requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the Company's financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

a) Deferred income taxes

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Atlas Engineered Products Ltd.
Notes to the Financial Statements
For the years ended May 31, 2017 and 2016
(Expressed in Canadian dollars)

3. Accounting policies (continued)

Key sources of estimation uncertainty (continued)

b) Credit allowances

Credit allowances are determined based on the company's review of the outstanding accounts receivables from customers, the age of the receivables, and the past history of payment or delinquency of payments. If it is determined that the balance may not be received in full, an allowance account is used to reduce the carrying amount of the receivables. If there is an individual party with significant financial difficulty, default or delinquency in payments, or it has become probable that the client will enter bankruptcy or financial reorganization, the receivable balance from this individual party is written off. There are assumptions and estimations used in the determination of a credit allowance, and these can affect the carrying value of the receivables.

Early adoption of accounting standards

The following new standards have been early adopted by the Company:

a) IFRS 15 - Revenue from Contracts with Customers

The new IFRS 15 *Revenue from Contracts with Customers* standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. This amendment will be mandatory for reporting periods beginning on or after January 1, 2018. The Company has early adopted this standard as part of its transition to IFRS.

b) IFRS 16 – Leases

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019. The Company has early adopted this standard as part of its transition to IFRS.

Accounting standards issued but not yet effective

The following new standard has been issued but not yet applied. The Company is currently evaluating the impact of this standard on its financial statements.

a) IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* ("IFRS 9") bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and the de-recognition of financial instruments. The mandatory effective date of IFRS 9 will be annual periods beginning on or after January 1, 2018, with early adoption permitted.

Atlas Engineered Products Ltd.
Notes to the Financial Statements
For the years ended May 31, 2017 and 2016
(Expressed in Canadian dollars)

4. Accounts Receivable

| | May 31, 2017 | May 31, 2016 | June 1, 2015 |
|---------------------------------|-------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ |
| Trade accounts receivable | 892,055 | 533,982 | 329,367 |
| Other receivables | 1,049 | 3,350 | 7,773 |
| Allowance for doubtful accounts | - | (42,365) | - |
| | 893,104 | 494,967 | 337,140 |

Movement in the allowance for doubtful accounts balance on trade receivables were as follows:

| | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|
| | \$ | \$ | \$ |
| Allowance for doubtful accounts, beginning of year | 42,365 | - | - |
| Allowance for doubtful accounts recognized during the year | - | 42,365 | - |
| Amounts written off during the year as uncollectable | (42,365) | - | - |
| Allowance for doubtful accounts, end of year | - | 42,365 | - |

5. Inventories

| | May 31, 2017 | May 31, 2016 | June 1, 2015 |
|------------------|-------------------------|-------------------------|-------------------------|
| | \$ | \$ | |
| Raw materials | 128,645 | 105,764 | 91,823 |
| Work in progress | 34,532 | 39,600 | 27,312 |
| Finished goods | 20,580 | 20,633 | 83,638 |
| | 183,757 | 165,997 | 202,773 |

During the year ended May 31, 2017 \$4,426,222 in inventory was expensed through cost of sales (2016 - \$3,301,993)

Atlas Engineered Products Ltd.
Notes to the Financial Statements
For the years ended May 31, 2017 and 2016
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6. Building and equipment

| | Building | Office | Vehicles | Equipment | Computer Equipment | Signage and Parking Lot | Total |
|---|------------------|---------------|----------------|------------------|-----------------------|----------------------------------|------------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | |
| Balance, June 1, 2015 | 367,596 | 97,894 | 392,058 | 1,321,601 | 203,014 | 191,062 | 2,573,225 |
| Additions | 1,148,158 | - | 371,418 | - | - | - | 1,519,576 |
| Disposals | (367,596) | - | (25,000) | - | - | - | (392,596) |
| Balance, May 31, 2016 | 1,148,158 | 97,894 | 738,476 | 1,321,601 | 203,014 | 191,062 | 3,700,205 |
| Additions | - | - | 162,819 | 98,989 | - | - | 261,808 |
| Disposals | - | - | (72,185) | (200,638) | - | - | (272,823) |
| Balance, May 31, 2017 | 1,148,158 | 97,894 | 829,110 | 1,219,952 | 203,014 | 191,062 | 3,689,190 |
| Accumulated depreciation and rental charge | | | | | | | |
| Balance, June 1, 2015 | 183,798 | 88,636 | 257,621 | 1,152,361 | 181,769 | 100,447 | 1,964,632 |
| Additions | 260,341 | 1,846 | 64,624 | 33,768 | 6,361 | 7,359 | 374,299 |
| Disposals | (367,596) | - | (17,712) | - | - | - | (385,308) |
| Balance, May 31, 2016 | 76,543 | 90,482 | 304,533 | 1,186,129 | 188,130 | 107,806 | 1,953,623 |
| Additions | 229,631 | 1,482 | 96,699 | 33,174 | 4,465 | 6,767 | 372,218 |
| Disposals | - | - | (34,105) | (191,675) | - | - | (225,780) |
| Balance, May 31, 2017 | 306,174 | 91,964 | 367,127 | 1,027,628 | 192,595 | 114,573 | 2,100,061 |
| Carrying amount at June 1, 2015 | 183,798 | 9,258 | 134,437 | 169,240 | 21,245 | 90,615 | 608,593 |
| Carrying amount at May 31, 2016 | 1,071,615 | 7,412 | 433,943 | 135,472 | 14,884 | 83,256 | 1,746,582 |
| Carrying amount at May 31, 2017 | 841,984 | 5,930 | 461,983 | 192,324 | 10,419 | 76,489 | 1,589,129 |

Depreciation during the year ended May 31, 2017 was \$372,218 (2016 – \$374,299). During the year ended May 31, 2017 \$232,950 of the depreciation was included in cost of sales (2016 – \$259,558).

As at May 31, 2017, the Company's vehicles include a net carrying amount of \$428,331 (2016 – \$406,540) of vehicles recorded as right-of-use assets under lease agreements. During the year ended May 31, 2017 a depreciation charge of \$74,677 (2016 - \$53,704) was recorded on the right-of-use vehicles. The amounts disclosed above for building relate solely to a right-of-use asset rental lease.

7. Accounts payable and accrued liabilities

| | May 31, 2017 | May 31, 2016 | June 1, 2015 |
|-------------------------------|-----------------|-----------------|------------------|
| | \$ | \$ | \$ |
| Trade accounts payable | 517,115 | 638,533 | 393,197 |
| Sales taxes payable | 136,302 | 170,652 | 176,413 |
| Salaries and vacation payable | 81,033 | 67,822 | 111,171 |
| Other accounts payable | 119,138 | 42,668 | 294,133 |
| Accrued liabilities | 65,900 | 53,501 | 32,536 |
| | 919,488 | 973,176 | 1,007,450 |

Atlas Engineered Products Ltd.
Notes to the Financial Statements
For the years ended May 31, 2017 and 2016
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8. Lease obligations

The terms and the outstanding balances of the lease obligations as at May 31, 2017 and 2016 are as follows:

| | May 31, 2017 | May 31, 2016 | June 1, 2015 |
|--|-----------------|-----------------|-----------------|
| | \$ | \$ | \$ |
| Building under right-of-use asset lease repayable in monthly instalments of \$22,500 inclusive of implied interest of 6.20% per annum, residual value of \$nil, maturing in January 2016 | - | - | 175,961 |
| 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 | 866,398 | 1,071,387 | - |
| Vehicle under right-of-use asset lease repayable in monthly instalments of \$696 with interest of 1.6% per annum, residual value of \$32,383, maturing May 2017 | - | 40,490 | - |
| Vehicle under right-of-use asset lease repayable in monthly instalments of \$2,021 with interest of 8.0% per annum, residual value of \$16,000, maturing May 2020 | 67,872 | 85,885 | 102,513 |
| 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 | 211,963 | 249,301 | - |
| Vehicle under right-of-use asset lease repayable in monthly instalments of \$519 with interest of 5.0% per annum, residual value of \$5,000, maturing in September 2021 | 23,300 | 28,217 | - |
| Vehicle under right-of-use asset lease repayable in monthly instalments of \$758 with interest of 3.6% per annum, residual value of \$25,000, maturing September 2021 | 50,704 | - | - |
| 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 | 78,303 | - | - |
| Total lease obligation | 1,298,540 | 1,475,280 | 278,474 |
| Current portion | (303,573) | (267,954) | (192,590) |
| Non-current portion | 994,967 | 1,207,326 | 85,884 |

The following is a schedule of the total lease payments made during the years ended May 31, 2017 and 2016:

| | 2017 | 2016 |
|----------------------|---------|---------|
| | \$ | \$ |
| Principal payment | 280,000 | 297,989 |
| Interest expense | 91,357 | 47,040 |
| Total lease payments | 371,357 | 345,029 |

During the year ended May 31, 2017, two pieces of equipment under leases were acquired. One forklift in the amount of \$85,566 and one vehicle in the amount of \$55,486 (2016 – One crane truck in the amount of \$266,735, one vehicle in the amount of \$31,362, one vehicle in the amount of \$48,540, and one right-of-use building in the amount of \$1,148,158).

Atlas Engineered Products Ltd.
Notes to the Financial Statements
For the years ended May 31, 2017 and 2016
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8. Lease obligations (continued)

The following is a schedule of the Company's future minimum lease payments related to the vehicles under finance lease:

| | May 31, 2017 |
|---|-------------------------|
| | \$ |
| 2018 | 378,377 |
| 2019 | 378,377 |
| 2020 | 382,250 |
| 2021 | 307,635 |
| 2022 | 23,272 |
| Total minimum lease payments | 1,469,911 |
| Less: imputed interest | (171,371) |
| Total present value of minimum lease payments | 1,298,540 |
| Less: Current portion | (303,573) |
| Non-current portion | 994,967 |

9. Long-term debt

The long-term debt consists of the following:

| | May 31, 2017 | May 31, 2016 | June 1, 2015 |
|---|-------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ |
| Loan payable ¹ | 98,881 | - | - |
| BDC loan ² | - | 49,000 | 97,000 |
| BDC loan ³ | 133,100 | 12,200 | 41,000 |
| Director loan ⁴ | 300,000 | 300,000 | - |
| | 531,981 | 361,200 | 138,000 |
| Less short-term portion of long-term debt | (29,040) | (31,200) | (76,800) |
| Total long-term debt | 502,941 | 330,000 | 61,200 |

1. Loan payable, bearing interest at 10% per annum, with no set term for repayment. The creditor has confirmed it will not call the loan for at least twelve months post year-end.
2. A loan with the Business Development Bank of Canada ("BDC") bearing interest at a floating base rate (4.7% as at May 31, 2017), plus 1.5% per year repayable at \$4,000 per month plus interest ending in December 2021. The loan is secured by certain accounts receivables, inventory, and equipment of the Company, a joint corporate guarantee from a related company for 25% and a shareholder guarantee for 25%.
3. A loan with BDC bearing interest at a floating base rate (4.7% as at May 31, 2017), plus 1.5% per year repayable at \$2,420 per month plus interest ending in December 2021. The loan is secured by certain accounts receivables, inventory, and equipment of the Company, a joint corporate guarantee from a related company for 25% and a shareholder guarantee for 25%.
4. Personal loan from director, bearing no interest, with no set term for repayment. The creditor has confirmed it will not call the loan for at least twelve months post year-end.

10. Preferred share liabilities

The preferred shares liability relates to 2,000 preference shares issued with a par value of \$0.01 each, redeemable at the option of the holder at \$500 each.

Atlas Engineered Products Ltd.
Notes to the Financial Statements
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11. Share capital

a) Authorized:

1,000 Class A voting common shares with a par value of \$0.10 each.
1,000 Class B non-voting common shares with a par value of \$0.10 each.

b) Shares issued

Class A common shares: 10 (May 31, 2016 – 10).
Class B common shares: 1,000 (May 31, 2016 – 1,000).

12. Revenue

The Company operates in one geographical segment located on Vancouver Island.

The Company has four distinct revenue streams. Segment information of the Company's revenues for the years ended May 31, 2017 and 2016 is as follows:

May 31, 2017

| | Engineered wood products | | | | |
|----------------|---------------------------------|----------------|--------------|--------------|-----------|
| | Trusses | Freight | Steel | Total | |
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | 6,149,976 | 1,516,420 | 369,063 | 40,568 | 8,076,027 |

May 31, 2016

| | Engineered wood products | | | | |
|----------------|---------------------------------|----------------|--------------|--------------|-----------|
| | Trusses | Freight | Steel | Total | |
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | 4,140,299 | 1,187,571 | 282,059 | 28,859 | 5,638,788 |

13. Cost of sales

Cost of sales is broken down as follows:

| | 2017 | 2016 |
|----------------------------|------------------|------------------|
| | \$ | \$ |
| Materials | 3,445,283 | 2,546,855 |
| Labour | 1,885,498 | 1,373,651 |
| Maintenance and overhead | 424,097 | 371,399 |
| Amortization | 232,950 | 259,558 |
| Total cost of sales | 5,987,828 | 4,551,463 |

Atlas Engineered Products Ltd.
Notes to the Financial Statements
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14. Income taxes

The tax expense differs from the theoretical amount that would arise using the tax rate applicable to profits of the Company for the years ended May 31, 2017 and 2016 as follows:

| | 2017 | 2016 |
|--|----------------|---------------|
| | \$ | \$ |
| (Loss) income for the year before income tax | (459,732) | 432,306 |
| Average statutory rate | 26.00% | 26.00% |
| Estimated income tax expense (recovery) | (119,530) | 112,400 |
| Difference in future tax rates and for income earned at the small business threshold | 236,774 | (53,497) |
| Items not deductible for tax purposes | 3,947 | 5,527 |
| Recognition of previously unrecognized tax benefits | 158,121 | (1,589) |
| Income tax expense | 279,311 | 62,841 |

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

| | 2017 | 2016 |
|---------------------------------|----------------|---------------|
| | \$ | \$ |
| Current tax expense | 286,465 | 66,425 |
| Deferred tax expense (recovery) | (7,154) | (3,584) |
| Total income tax expense | 279,311 | 62,841 |

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

| | May 31, 2017 | May 31, 2016 | June 1, 2015 |
|---|-------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ |
| Deferred tax assets | | | |
| Leases | 234,769 | 184,410 | 34,809 |
| Capital loss carry forwards | 3,848 | 4,435 | 3,197 |
| Non-capital loss carry forwards | 158,708 | - | - |
| Eligible capital expenditures | - | 15,082 | 16,217 |
| Deferred tax assets | 397,325 | 203,927 | 54,223 |
| Offset against deferred tax liabilities | (224,031) | (195,908) | (48,200) |
| Unrecognized deferred tax assets | (162,556) | (4,435) | (6,023) |
| Deferred tax assets | 10,738 | 3,584 | - |
| Deferred tax liabilities | | | |
| Building and Equipment | (224,031) | (195,908) | (48,200) |
| Offset against deferred tax assets | 224,031 | 195,908 | 48,200 |
| Deferred tax liabilities | - | - | - |
| Net deferred tax balance | 10,738 | 3,584 | - |

The Company has capital losses of approximately \$43,000 at May 31, 2017, which are available to carry forward indefinitely, and can be used to shelter capital gains. The benefit of this has not been recognized in the financial statements as it is not probable that the Company will generate gains which can be sheltered by such losses.

Atlas Engineered Products Ltd.
Notes to the Financial Statements
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15. Related party transactions

The Company's related parties consist of the Company's directors and officers, and any companies associated with them. Key management 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 for employee services for the reported periods.

The Company incurred the following charges during the years ended May 31, 2017 and 2016:

| Service or item | 2017 | 2016 |
|---------------------------|-------------|-------------|
| | \$ | \$ |
| Salaries and benefits | 44,616 | - |
| Management fees | 39,520 | - |
| Cost of sales | 341,080 | 328,268 |
| Administrative and office | 34,445 | 39,051 |
| Finance charge on leases | 59,011 | 26,270 |
| Interest expense | 4,399 | - |

Due to/from related parties

Amounts due to/from related parties are unsecured, non-interest bearing, and have no set terms of repayment.

| | May 31, 2017 | May 31, 2016 | June 1, 2015 |
|---------------------------------------|-------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ |
| Due from related parties | | | |
| Coastal Windows Ltd. (note 20) | 744,611 | 1,989,014 | 1,309,286 |
| Pauline's Wash 'N Shop Canada Ltd. | - | 13,583 | 12,078 |
| Shareholder loan | - | - | 206,903 |
| Total due from related parties | 744,611 | 2,002,597 | 1,528,267 |
| Due to related parties | | | |
| Accounts payable | (79,686) | (13,165) | (205,938) |
| Director loan | (300,000) | (300,000) | - |
| Lease obligation | (866,398) | (1,071,387) | (175,961) |
| Total due to related parties | (1,246,084) | (1,384,552) | (381,899) |

During the year ended May 31, 2017 the amount owing from Pauline's Wash 'N Shop Canada Ltd. was forgiven.

The Company is the guarantor of a loan that a related party holds with BDC in the amount of \$310,250.

16. Supplemental cash flow information

Investing and financing activities that do not have a direct impact on the current cash flows are excluded from the cash flow statements. During the years ended May 31, 2017 and 2016 the Company had the following non-cash investing and financing activities:

Year ended May 31, 2017

- \$141,053 of lease obligations that have been capitalized to plant and equipment

Year ended May 31, 2016

- \$1,494,795 of lease obligations that have been capitalized to plant and equipment

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17. Financial instruments

Fair value of financial instruments

The Company classifies the fair value of its financial instruments according to a fair value hierarchy based on the significance of observable inputs used to value the instrument as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

As at May 31, 2017, the Company believes that the carrying values of cash, accounts receivable, shareholder loan, accounts payable, customer deposits, long-term debt, and preferred share liabilities approximate their fair values because of their nature and/or relatively short maturity dates or durations.

Classification of financial instruments

The Company's financial instruments consist of cash, accounts receivable, shareholder loan, due to/from related parties, and accounts payable and accrued liabilities, customer deposits, long-term debt, and preferred share liabilities. The Company classified its cash, accounts receivable, shareholder loan, and due from related parties as loans and receivables. The accounts payable and accrued liabilities, customer deposits, long-term debt, and preferred share liabilities are classified as other financial liabilities, which are measured at amortized cost.

Financial and capital risk management

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, credit risk, and liquidity risk. These risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Discussions of risks associated with financial assets and liabilities are detailed below:

a) 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 holds a floating interest rate loan with BDC that is exposed to cash flow interest rate risk due to changes in the interest rate. The non-interest bearing long-term debt is exposed to fair value interest rate risk arising from changes in market interest rates.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the Company's financial assets. The Company's credit arises from its accounts receivable balances and cash balances. The Company believes it is not exposed to significant credit risk with respect to its cash balances which are held with a Schedule 1 Canadian Bank. The Company provides credit to its clients in the normal course of operations. All accounts receivable balances from customers are regularly reviewed, and if the balances have been outstanding for a significant period of time and/or there are other indications that the amount may not be paid and an allowance is recorded to reflect management's estimate of the amount which may not be collectible. As losses occur, the amounts are initially written off against the allowance with any excess losses written off to bad debt expense.

Atlas Engineered Products Ltd.
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17. Financial instruments (continued)

Financial and capital risk management (continued)

b) Credit risk (continued)

The following accounts receivable balances were considered past due and not impaired as at May 31, 2017, 2016, and 2015:

| | May 31, 2017 | May 31, 2016 | June 1, 2015 |
|---------------------------|-----------------|-----------------|-----------------|
| | \$ | \$ | \$ |
| Less than 30 days overdue | 267,950 | 106,268 | 103,086 |
| 30 to 90 days overdue | 208,098 | 76,277 | 317,376 |
| Total past due | 476,048 | 182,545 | 420,462 |

c) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. The Company is exposed to this risk mainly in respect to its accounts payable, lease obligations and debt payments. The Company has the following future payments on its loans and leases:

| | Expected payments due by period as at May 31, 2017 | | |
|--|---|------------------|------------------|
| | 1 year | 2-3 years | 4-5 years |
| | \$ | \$ | \$ |
| BDC loan | 29,040 | 58,080 | 45,980 |
| Building and equipment held under leases | 378,377 | 760,627 | 330,907 |
| | 407,417 | 818,707 | 376,887 |

18. 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 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.

Management reviews its capital management policies on an ongoing basis. There were no changes in the Company's approach to capital management during the year ended May 31, 2017.

19. Commitments

The Company has a commitment to pay \$500 each for 2,000 preference shares if redeemed by the holder.

The Company is also the guarantor of a loan that a related party holds with BDC in the amount of \$310,250.

Atlas Engineered Products Ltd.
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20. Subsequent events

Reverse takeover with Archer Petroleum

On June 14, 2017, the Company entered into a binding agreement dated June 9, 2017 (the "Agreement") with Archer Petroleum Corp ("Archer") whereby Archer has agreed to acquire all of the issued and outstanding shares of Atlas (the "Transaction"). Under the terms of the Agreement, Archer 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 Archer on closing of the Transaction. The Transaction will be a reverse takeover ("RTO") in accordance with the TSX Venture Exchange Policy 5.2 – *Changes in Business and Reverse Takeovers*.

On completion of the Transaction, which is subject to regulatory approval, the shareholders of Atlas will obtain control of the consolidated entity. Under the purchase method of accounting, Atlas has been identified as the acquirer, and accordingly the entity is considered to be a continuation of the Company with the net assets of Archer at the date of the RTO deemed to be acquired by the Company.

On completion of the Transaction, which is subject to regulatory approval, Archer will be the shareholders of the preferred shares originally issued by Atlas. Subsequent to the closing of the Transaction these preferred share liabilities will be eliminated on consolidation of Atlas and Archer.

Amalgamation with Coastal Windows Ltd.

On July 31, 2017, Atlas amalgamated with its affiliated company, Coastal Windows Ltd. ("Coastal") under the name Atlas Engineered Products Ltd. and has continued operating in the normal course of business prior to and following the amalgamation.

As a result of the amalgamation of Archer and Coastal, tax losses carried forward of \$2,863,888 originating in Coastal will be available for use by Atlas to offset its future taxable income. As a result, the net amount recoverable by Atlas of the due from Coastal at May 31, 2017 is limited to the tax effect of the tax losses carried forward, being \$744,611. Accordingly, the balance of \$2,500,282 due from Coastal was written down by \$1,755,671 to its recoverable amount of \$744,611.

As part of the agreement, the holders of Coastal's shares were issued 100 A1 common shares and 100 A2 common shares in Atlas in exchange for their shares in Coastal.

Exchangeable notes

On August 9, 2017, Atlas issued exchangeable notes in the principal amount \$147,500 to third parties. The principal amount of the exchange notes is exchangeable into one common share for a price of \$0.20 per share and one Warrant at a price of \$0.40 per Warrant upon completion of the Transaction. The notes mature on August 9, 2018 and pay interest on the principal sum outstanding, at a rate of 5% per annum, calculated from date of issue and payable in arrears on an annual basis commencing August 9, 2018.

On August 9, 2017, Atlas issued an Exchangeable Note in the principal amount of \$150,000 to a Director of the Company. The principal amount of the Exchangeable Note is exchangeable into one common share for a price of \$0.20 per share from upon completion of the Transaction. The note matures on August 9, 2018 and pays interest on the principal sum outstanding, at a rate of 5% per annum, calculated from date of issue and payable in arrears on an annual basis commencing August 9, 2018.

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20. Subsequent events (continued)

Management Service Agreements

On September 1, 2017, Atlas entered into a management service agreement with its Chief Executive Officer and Founder, Hadi Abassi, for a salary of \$250,000 (the "Management Service Agreement"). As part of the Management Service Agreement, he will receive a car allowance of \$1,500 per month (\$18,000 annually) and 500,000 options will be granted upon completion of the Transaction. Atlas entered into a formal employment agreement with its General Manager, Gurmit Dhaliwal, dated August 31, 2017 whereby Atlas agreed to pay Ms. Dhaliwal an annual salary of \$120,000 (the "Employment Agreement"). As part of the Employment Agreement, she will receive a car allowance of \$1,250 (\$15,000 annually), and 75,000 options will be granted upon completion of the Transaction. Both the Management Service Agreement and the Employment Agreement provide for termination with two years notice or 2 years salary in lieu of notice.

21. First-time adoption of IFRS

The Company's financial statements for the year ended May 31, 2017 are the first annual financial statements that were prepared in accordance with IFRS. IFRS 1, *First-time Adoption of International Financial Reporting Standards*, requires that comparative financial information, restated in accordance with IFRS, be provided. As a result, the first date at which the Company has applied IFRS was June 1, 2015 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be May 31, 2017. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to the transition to IFRS, the Company had not prepared financial statements for years ended May 31.

The IFRS 1 applicable exceptions applied in the first-time adoption to IFRS are as follows:

Mandatory exceptions

a) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous accounting framework, unless there is objective evidence that those estimates were in error. The Company had not previously prepared financial statements for years ended May 31. The Company's estimates as of June 1, 2015 are consistent with its prior accounting estimates for the same date.

The Company did not apply any of the elective exemptions in IFRS 1.

Reconciliation of prior period shareholders' equity, comprehensive loss and cash flows to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods from amounts previously recorded to those reported in accordance with IFRS. As the Company had not previously prepared financial statements for years ended May 31, there were no changes made to the Transition Date statement of financial position arising from transition to IFRS, and accordingly no changes have been made to the statements of comprehensive loss, changes in shareholders' equity or cash flows, and therefore, no reconciliation of those statements have been disclosed.

SCHEDULE “D” – MANAGEMENT DISCUSSION AND ANALYSIS OF ATLAS

Management Discussion and Analysis for Atlas for the fiscal years ended May 31, 2017 and 2016 are attached to this Filing Statement.

Atlas Engineered Products Ltd.

Management's Discussion and Analysis for the year ended May 31, 2017

This Management's Discussion and Analysis ("MD&A") for the year ended May 31, 2017, prepared as of October 25, 2017, should be read in conjunction with the audited annual financial statements for the year ended May 31, 2017 of Atlas Engineered Products Ltd. (the "Company" or "Atlas"), which 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.

COMPANY OVERVIEW

Atlas was incorporated pursuant to the provisions of the *Company Act* (British Columbia) on January 18, 1999 and transitioned to the *Business Corporations Act* (British Columbia) in 2004. The Company's principal activities involve manufacturing trusses for commercial and residential buildings, and delivering to their customers on Vancouver Island. The Company's corporate office is located at 2005 Boxwood Road, Nanaimo, British Columbia V9S 5X9.

COMPANY HIGHLIGHTS

Agreement with Archer Petroleum Corp

The Company entered into a share exchange agreement dated September 12, 2017 (the "Agreement") with Archer Petroleum Corp ("Archer") whereby Archer agreed to acquire all of the issued and outstanding shares of Atlas (the "Transaction"). Under the terms of the Agreement, Archer will pay the Atlas 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 Archer on closing of the Transaction. The Transaction will be a reverse takeover ("RTO") in accordance with the TSX Venture Exchange Policy 5.2 – *Changes in Business and Reverse Takeovers*.

On completion of the Transaction, which is subject to regulatory approval, the shareholders of Atlas will obtain control of the consolidated entity. Under the purchase method of accounting, Atlas has been identified as the acquirer, and accordingly the entity is considered to be a continuation of the Company with the net assets of Archer at the date of the RTO deemed to be acquired by the Company.

SELECTED ANNUAL INFORMATION

The following is a summary of selected audited financial information of the Company for each of the last three fiscal years:

| | 2017 | 2016 | 2015 |
|--|-------------|-----------|-------------|
| | \$ | \$ | \$ |
| Total revenues | 8,076,027 | 5,638,788 | 4,056,367 |
| Net (loss) income ⁽²⁾ | (739,043) | 369,465 | 382,351 |
| Net (loss) income per share (basic and diluted) ⁽¹⁾ | (732) | 369 | 379 |
| Total assets | 3,658,553 | 4,528,648 | 2,681,043 |
| Total liabilities | 4,083,443 | 4,214,495 | 2,736,355 |
| Working capital (deficiency) | (1,271,460) | (901,284) | (1,045,088) |

⁽¹⁾ The basic and diluted income per share calculations result in the same amount due to there not being any outstanding instruments.

⁽²⁾ The net income for the three months ended May 31, 2017 resulted from a write-down of \$1,755,671 of the due from related party amount.

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SUMMARY OF QUARTERLY 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:

| | THREE MONTHS ENDED | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | May 31, 2017 \$ | Feb 28, 2017 \$ | Nov 30, 2016 \$ | Aug 31, 2016 \$ |
| Revenues | 2,062,762 | 1,757,922 | 2,294,954 | 1,960,389 |
| Net (loss) income ⁽²⁾ | (1,541,291) | 140,215 | 368,732 | 293,301 |
| Net (loss) income per share (basic and diluted) ⁽¹⁾ | (1,526) | 139 | 365 | 290 |

| | THREE MONTHS ENDED | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | May 31, 2016 \$ | Feb 28, 2016 \$ | Nov 30, 2015 \$ | Aug 31, 2015 \$ |
| Revenues | 1,476,447 | 1,396,056 | 1,478,308 | 1,287,977 |
| Net income (loss) | 70,054 | 210,420 | 149,253 | (60,262) |
| Net income (loss) per share (basic and diluted) ⁽¹⁾ | 70 | 208 | 148 | (60) |

⁽¹⁾ The basic and diluted income per share calculations result in the same amount due to there not being any outstanding instruments.

⁽²⁾ The net income for the three months ended May 31, 2017 resulted from a write-down of \$1,755,671 of the due from related party amount.

RESULTS OF OPERATIONS

The Company recorded a net loss of \$739,043 (\$732 per share) for the year ended May 31, 2017 as compared to a net income of \$369,465 (\$366 per share) for the year ended May 31, 2016. The decrease in net income is a result of the write-down of the due from related party account, offset by an increase in gross profit during 2017 resulting from higher sales. Excluding the write-down of the due from related party account that had an impact on the net loss per share of \$1,738, the net income per share has increased \$640.

Revenues for the year ended May 31, 2017 were \$8,076,027 as compared to revenue of \$5,638,788 for the year ended May 31, 2016, which represents a 32% increase in revenues. The cost of sales for the year ended May 31, 2017 were \$5,987,828 compared to \$4,551,463 for the year ended May 31, 2016. The increase in revenues was a result of increased building activity on Vancouver Island and demand for Atlas products. At the same time, the Company enhanced its capacity by adding a second production shift to handle the increased demand

Administrative and office \$130,332 (2016 – 102,526). Administrative and office expenses increased as the result of increased activity in the company as production increased.

Depreciation \$139,270 (2016 – \$114,738). During 2016 \$1,519,576 in buildings and equipment was acquired through lease agreements. This increased the base for which amortization is taken, thereby increasing the amortization expense for the year ended May 31, 2017. Note that during the year ended May 31, 2017, \$232,950 of the depreciation was included in inventory and COS (2016 – \$259,558).

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Bad debt expense \$58,642 (2016 – 91,478). Bad debt expense decreased as fewer accounts receivable balances were confirmed as uncollectible. During 2016 there were some larger accounts receivable balances that were determined uncollectible due to bankruptcy.

Salaries and benefits \$169,338 (2016 – 145,156). Salaries and benefits increased as there were wage increases during the year ended May 31, 2017 for employees that did not receive increases in the prior years.

Interest expense and other \$165,753 (2016 – \$139,567). The increase in interest expense and other is due to the increase in long-term debt during the year ended May 31, 2017.

Fourth quarter results

The Company recorded a net loss of \$1,482,391 (\$1,468 per share) for the three months ended May 31, 2017 as compared to a net loss of \$70,054 (\$70 per share) for the three months ended May 31, 2016. The increase in net loss is mostly due to the write-down of the due from related party amount of \$1,755,671, offset by an increase in the revenues for the three months ended May 31, 2017 of \$672,412.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Related party transactions

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

The Company incurred the following charges during the years ended May 31, 2017 and 2016:

| <u>Service or item</u> | <u>2017</u> | <u>2016</u> |
|------------------------------------|-------------|-------------|
| | \$ | \$ |
| Salaries and benefits ¹ | 44,616 | - |
| Management fees ¹ | 39,520 | - |
| Cost of sales ² | 341,080 | 328,268 |
| Administrative and office | 34,445 | 39,051 |
| Finance charge on leases | 59,011 | 26,270 |
| Interest expense | 4,399 | - |

¹ These charges include amount paid to Gurmit Dhaliwal, a Director and shareholder.

² These charges include amounts paid to Coastal Windows Ltd. ("Coastal"), a company of which Hadi Abassi is a Director and shareholder, amounts paid to Hadi Abassi, and amounts paid to Sterling Mitchell, Director.

³ These charges include amounts paid to Coastal

⁴ These charges include the finance charge on the building lease paid to Coastal

⁵ These charges include interest expense paid to Sterling Mitchell.

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Due to/from related parties

Amounts due to/from related parties are unsecured, non-interest bearing, and have no set terms of repayment.

| | May 31, 2017 | May 31, 2016 | June 1, 2015 |
|---------------------------------------|--------------------|--------------------|------------------|
| | \$ | \$ | \$ |
| Due from related parties | | | |
| Coastal Windows Ltd. | 744,611 | 1,989,014 | 1,309,286 |
| Pauline's Wash 'N Shop Canada Ltd. | - | 13,583 | 12,078 |
| Shareholder loan | - | - | 206,903 |
| Total due from related parties | 744,611 | 2,002,597 | 1,528,267 |
| Due to related parties | | | |
| Accounts payable | (79,686) | (13,165) | (205,938) |
| Director loan | (300,000) | (300,000) | - |
| Lease obligation | (866,398) | (1,071,387) | (175,961) |
| Total due to related parties | (1,246,084) | (1,384,552) | (381,899) |

During the year ended May 31, 2017 the amount owing from Pauline's Wash 'N Shop Canada Ltd. was forgiven.

On July 31, 2017, Atlas amalgamated with its affiliated company, Coastal Windows Ltd. ("Coastal") under the name Atlas Engineered Products Ltd. and has continued operating in the normal course of business prior to and following the amalgamation.

As a result of the amalgamation of Archer and Coastal, tax losses carried forward of \$2,863,888 originating in Coastal will be available for use by Atlas to offset its future taxable income. As a result, the net amount recoverable by Atlas of the due from Coastal at May 31, 2017 is limited to the tax effect of the tax losses carried forward, being \$744,611. Accordingly, the balance of \$2,500,282 due from Coastal was written down by \$1,755,671 to its recoverable amount of \$744,611 during the year ended May 31, 2017.

The Company is the guarantor of a loan that Coastal holds with BDC in the amount of \$310,250.

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 order to continue operations. 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.

As at May 31, 2017 the Company held cash of \$234,848 and had a working capital deficiency of \$1,271,460 (May 31, 2016 – Working capital deficiency of \$901,284). During the year ended May 31, 2017, net cash provided by operating activities was \$830,741 (2016 - \$681,273). The improvement in cash from operations was a result of higher revenues during the period. Net cash used in investing activities was \$598,440 (2016 - \$702,014), which is mostly made up of the

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advances to Coastal of \$497,685 (2016 - \$681,233) and costs to acquire property, plant and equipment of \$120,755 (2016 - \$24,781). Cash used in financing activities was \$109,219 (2016 – cash provided of \$132,114).

CAPITAL EXPENDITURES

During the year ended May 31, 2017, the Company acquired property, plant and equipment of \$261,808 (2016 - \$1,519,576). Included in the amounts acquired during the year ended May 31, 2017 were two pieces of equipment under leases: One forklift in the amount of \$85,566 and one vehicle in the amount of \$55,486 (2016 – One crane truck in the amount of \$266,735, one vehicle in the amount of \$31,362, one vehicle in the amount of \$48,540, and one right-of-use building in the amount of \$1,148,158).

FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Company classifies the fair value of its financial instruments according to a fair value hierarchy based on the significance of observable inputs used to value the instrument as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

As at May 31, 2017, the Company believes that the carrying values of cash, accounts receivable, shareholder loan, accounts payable, customer deposits, long-term debt, and preferred share liabilities approximate their fair values because of their nature and/or relatively short maturity dates or durations.

Classification of financial instruments

The Company's financial instruments consist of cash, accounts receivable, shareholder loan, due to/from related parties, and accounts payable and accrued liabilities, customer deposits, long-term debt, and preferred share liabilities. The Company classified its cash, accounts receivable, shareholder loan, and due from related parties as loans and receivables. The accounts payable and accrued liabilities, customer deposits, long-term debt, and preferred share liabilities are classified as other financial liabilities, which are measured at amortized cost.

Financial and capital risk management

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, credit risk, and liquidity risk. These risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Discussions of risks associated with financial assets and liabilities are detailed below:

a) 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 holds a floating interest rate loan with BDC that is exposed to cash flow interest rate risk due to changes in the interest rate. The non-

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interest bearing long-term debt is exposed to fair value interest rate risk arising from changes in market interest rates.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the Company's financial assets. The Company's credit arises from its accounts receivable balances and cash balances. The Company believes it is not exposed to significant credit risk with respect to its cash balances which are held with a Schedule 1 Canadian Bank. The Company provides credit to its clients in the normal course of operations. All accounts receivable balances from customers are regularly reviewed, and if the balances have been outstanding for a significant period of time and/or there are other indications that the amount may not be paid and an allowance is recorded to reflect management's estimate of the amount which may not be collectible. As losses occur, the amounts are initially written off against the allowance with any excess losses written off to bad debt.

The following accounts receivable balances were past due as at May 31, 2017, 2016, and 2015:

| | May 31, 2017 | May 31, 2016 | June 1, 2015 |
|---------------------------|-----------------|-----------------|-----------------|
| | \$ | \$ | \$ |
| Less than 30 days overdue | 267,950 | 106,268 | 103,086 |
| 30 to 90 days overdue | 208,098 | 76,277 | 317,376 |
| Total past due | 476,048 | 224,910 | 420,462 |

c) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. The Company is exposed to this risk mainly in respect to its accounts payable, lease obligations and debt payments. The Company has the following future payments on its loans and leases:

| | Expected payments due by period as at May 31, 2017 | | |
|--|---|-----------|-----------|
| | 1 year | 2-3 years | 4-5 years |
| | \$ | \$ | \$ |
| BDC loan | 29,040 | 58,080 | 45,980 |
| Building and equipment held under leases | 378,377 | 760,627 | 330,907 |
| | 407,417 | 818,707 | 376,887 |

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standard has been issued but not yet applied. The Company is currently evaluating the impact of this standard on its financial statements.

a) IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* ("IFRS 9") bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement

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categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and the de-recognition of financial instruments. The mandatory effective date of IFRS 9 will be annual periods beginning on or after January 1, 2018, with early adoption permitted.

EARLY ADOPTION OF ACCOUNTING STANDARDS

The following new standards have been early adopted by the Company:

a) IFRS 15 - Revenue from Contracts with Customers

The new IFRS 15 *Revenue from Contracts with Customers* standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. This amendment will be mandatory for reporting periods beginning on or after January 1, 2018. The Company has early adopted this standard as part of its transition to IFRS.

b) IFRS 16 – Leases

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019. The Company has early adopted this standard as part of its transition to IFRS.

CRITICAL JUDGMENTS 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:

a) Going concern

In preparing these financial statements on a going concern basis, as is disclosed in Note 1 of these financial statements, Management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the Company's financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

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a) Deferred income taxes

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision.

b) Credit allowances

Credit allowances are determined based on the company's review of the outstanding accounts receivables from customers, the age of the receivables, and the past history of payment or delinquency of payments. If it is determined that the balance may not be received in full, an allowance account is used to reduce the carrying amount of the receivables. If there is an individual party with significant financial difficulty, default or delinquency in payments, or it has become probable that the client will enter bankruptcy or financial reorganization, the receivable balance from this individual party is written off. There are assumptions and estimations used in the determination of a credit allowance, and these can affect the carrying value of the receivables.

SECURITIES OUTSTANDING

Authorized share capital: As at the date of this MD&A, The Company is authorized to issue 1000 Class A voting common shares with a par value of \$0.10 for each share; 1000 Class A1 voting common shares with a par value of \$0.10 for each share; 1000 Class A2 voting common shares with a par value of \$0.10; and 1000 Class B non-voting common shares with a par value of \$0.10 for each share.

As at the date of this MD&A, there are the following shares outstanding:

Class A common shares: 10
Class A1 common shares: 100
Class A2 common shares: 100
Class B common shares: 1,000
Class D preference shares: 2,000

DISCLOSURE OF CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate 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 annual financial statements for the year ended May 31, 2017 and this accompanying MD&A (together, the "Annual Filings").

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.

RISKS AND UNCERTAINTIES

The Company is currently subject to operational, financial and regulatory risks.

The operational risks include the Company's ability to manufacture trusses economically, the Company ability to market its products and maintain a demand for them, the Company's ability to hire and retain skilled employees and contractors, and the Company's ability to remain competitive in the industry. The Company continuously monitors and responds to changes in these operational risks.

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Financial risks include interest rates and the ability for the Company to generate enough cash from operations.

Regulatory risks include the possible delays in getting regulatory approval for the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings and the introduction of ever more complex reporting requirements.

FORWARD-LOOKING INFORMATION

The Company's annual financial statements for the year ended May 31, 2017, and this accompanying MD&A, contain 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 the 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 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.

OUTLOOK

Trusses and engineered wood products on Vancouver Island is a market worth in excess of \$25,000,000-30,000,000 on Vancouver Island and between \$250,000,000-300,000,000 in British Columbia.

The growth drivers in the truss and engineered wood products market are as follows:

- the emergence of innovative design applications and state-of-the-art equipment; and

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- the continued demand for construction -the continued desire for construction in the retirement market across Vancouver Island and British Columbia continues to drive demand for Atlas' products.

The Company's singular focus is on investment in advanced technology and state-of-the art equipment, efficient and effective production facilities, excellence in customer relations, operational excellence, and total quality augmented with business leadership focused on growth through expanding the design and manufacturing capability, together with increased sales and distribution capabilities resulting from acquisitions. This will enable the Company to acquire more of the market share and will be the foundation for its future marketing plan and business strategy.

The Company has established distinct and very solid competitive advantages, including:

- accumulated design and manufacturing know-how and deep operational expertise;
- proven design and manufacturing capabilities;
- strong market recognition;
- scalability of operations;
- operational practices and methods that are replicable; and
- an accumulated inventory of marketable products

There are a number of other truss and engineered wood product manufacturing companies on Vancouver Island. However, Atlas stands out with a high degree of expertise, advanced technology and state-of-the-art equipment to improve and enhance the design and manufacturing efficiencies of the Company.

The Company's future growth plans are to leverage the substantial opportunities for accretion, consolidation, and merger on Vancouver Island and the rest of British Columbia, Alberta and Saskatchewan, and leverage these efficiencies.

The market is highly fragmented and served by numerous small companies that are owner operated and managed. Many of these owner operators are close to retirement and seeking exit strategies. The proposed program of acquisitions will provide an exit strategy for these owner operators and increase the Company's share of the market through market consolidation.

Furthermore, due to the nature and size of trusses, there is a geographical sphere within which it is logistically feasible to transport trusses. This means that one production site alone will be unlikely to service a wider area, which is what has led to the silo effect of companies within this market. Through market consolidation the Company will be able to capitalize on the efficiencies resulting from their work-flow processes to increase profitability and therefore gain a stronger market position for the Company.

To operationalize its future growth plans, the Company is developing a strategic plan to grow by expanding its existing products and services through on-going business development, exploring merger and acquisition opportunities, and continuing to improve profitability by increasing efficiencies through improved work processes and economies of scale.

To achieve this strategy, the Company will be pursuing the following strategic priorities:

- expanding our market share within the segments where we currently compete;
- continuing its focus on operational efficiency; and
- rapidly expanding top-line sales through any of the following: strategic partnerships, joint-ventures or acquisitions.

The Company's strategy to increase its market capitalization and increase its profitability include taking advantage of the Company's:

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- economies of scale in areas such as procurement of raw materials;
- greater efficiencies in manufacturing;
- acquisition of new facilities, thereby increasing production capacity;
- improved use of information technology for design, financial management, and logistics, and more efficient deployment of design and other specialized personnel; and
- greater operational efficiencies for example logistics and trucking resources through more strategic deployment.

The Company's short term, mid-term and long-term objectives are as follows:

Short Term (1 to 3 quarters)

- To achieve thirty percent increase in top-line sales and complete two or three acquisitions on Vancouver Island.

Mid Term (3 to 6 quarters)

- To continue to increase top-line sales and complete two to three acquisitions within Canada.

Long Term

- The Company's long-term objectives focus on long-term strategic plan execution which will flow out of the short-term and near-term priorities focusing on our goals and objectives for the next three years. This phase of the strategy will look to improve margins and rapidly expand top-line sales through any of the following: strategic partnerships, joint-ventures or acquisitions.

OTHER INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

SCHEDULE "E" - PRO FORMA FINANCIAL STATEMENTS OF RESULTING ISSUER

Unaudited financial statements for the Resulting Issuer as of May 31, 2017 are attached to this Filing Statement.

ARCHER PETROLEUM CORP.

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2017

(Unaudited – Expressed in Canadian Dollars)

Archer Petroleum Corp.

PRO-FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at May 31, 2017

(Unaudited – Expressed in Canadian Dollars)

| | Archer Petroleum Corp. As at May 31, 2017 \$ | Altas Engineered Products Ltd. As at May 31, 2017 \$ | Notes | Pro-forma Adjustments \$ | Pro-forma Consolidated \$ |
|---|--|--|-------|--------------------------------|---------------------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash | 165,353 | 234,848 | 2(a) | (100,000) | 3,597,701 |
| | | | 2(a) | (1,000,000) | |
| | | | 2(b) | 297,500 | |
| | | | 2(b) | 4,000,000 | |
| Accounts receivable | 8,829 | 893,104 | | - | 901,933 |
| Prepaid expenses | - | 2,366 | | - | 2,366 |
| Inventory | - | 183,757 | | - | 183,757 |
| Other assets | 417 | - | | - | 417 |
| | <u>174,599</u> | <u>1,314,075</u> | | <u>3,197,500</u> | <u>4,686,174</u> |
| Building and equipment | - | 1,589,129 | | - | 1,589,129 |
| Due from related parties | - | 744,611 | | - | 744,611 |
| Deferred income tax asset | - | 10,738 | | - | 10,738 |
| TOTAL ASSETS | <u>174,599</u> | <u>3,658,553</u> | | <u>3,197,500</u> | <u>7,030,652</u> |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | 72,725 | 919,488 | | - | 992,213 |
| Customer deposits | - | 152,020 | | - | 152,020 |
| Corporate income taxes payable | - | 181,414 | | - | 181,414 |
| Current portion of lease obligations | - | 303,573 | | - | 303,573 |
| Current portion of long-term debt | - | 29,040 | | - | 29,040 |
| Exchangeable note – liability component | - | - | 2(b) | 271,630 | 271,630 |
| Preferred shares liability | - | 1,000,000 | 2(a) | (1,000,000) | - |
| | <u>72,725</u> | <u>2,585,535</u> | | <u>(728,370)</u> | <u>1,929,890</u> |
| Lease obligations | - | 994,967 | | - | 994,967 |
| Long-term debt | - | 502,941 | | - | 502,941 |
| | <u>72,725</u> | <u>4,083,443</u> | | <u>(728,370)</u> | <u>3,427,798</u> |
| SHAREHOLDERS' EQUITY | | | | | |
| Share capital | 22,123,295 | 101 | 2(a) | (22,123,295) | 8,633,737 |
| | | | 2(a) | 4,683,636 | - |
| | | | 2(a) | (50,000) | - |
| | | | 2(c) | 4,000,000 | - |
| Exchangeable note – equity component | | | 2(b) | 25,870 | 25,870 |
| Contributed surplus | 3,138,997 | - | 2(a) | (3,138,997) | - |
| Accumulated other comprehensive income | 137,604 | - | 2(a) | (137,604) | - |
| Retained earnings (Deficit) | (25,298,022) | (424,991) | 2(a) | 25,298,022 | (5,056,753) |
| | | | 2(a) | (4,581,762) | |
| | | | 2(a) | (50,000) | |
| | <u>101,874</u> | <u>(424,890)</u> | | <u>3,925,870</u> | <u>3,602,854</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>174,599</u> | <u>3,658,553</u> | | <u>3,197,500</u> | <u>7,030,652</u> |

Archer Petroleum Corp.

NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at May 31, 2017

(Unaudited – Expressed in Canadian Dollars)

1. BASIS OF PRESENTATION

The unaudited pro-forma consolidated statement of financial position of Archer Petroleum Corp. ("Archer" or the "Company") have been prepared by its management based on historical financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") to give effect to the Share Exchange Agreement (the "Agreement") dated September 12, 2017 between Archer and Atlas Engineered Products Ltd. ("Atlas") whereby Archer has agreed to acquire all of the issued and outstanding shares of Atlas (the "Transaction"). Under the terms of the Agreement, Archer will pay the principal shareholders of Atlas, an arms-length party, \$1,000,000 and issue such number of common shares such that the shareholders of Atlas will hold 25% of the issued and outstanding shares of the resulting issuer ("Resulting Issuer") on closing of the Transaction.

Since Archer does not constitute a business under IFRS, the Transaction is accounted for as a reverse acquisition that does not constitute a business combination with Atlas being identified as the acquirer for accounting purposes.

It is management's opinion that the pro-forma consolidated financial statements include all adjustments necessary for the fair presentation, in all material respects, of the transactions described in Note 2, and are in accordance with IFRS.

The unaudited pro-forma consolidated financial statements should be read in conjunction with financial statements and reports thereon included in this Filing Statement, being the audited financial statements of Archer for the years ended November 30, 2016 and 2015, the interim financial statements of Archer for the three and six months ended May 31, 2017 and 2016 and the audited financial statements of Atlas for the year ended May 31, 2017. The pro-forma consolidated financial statements have been prepared using the same accounting policies as per the audited financial statements of Atlas for the year ended May 31, 2017.

The unaudited pro-forma consolidated financial statements give effect to the accounting acquisition of Archer by Atlas as if it had occurred on May 31, 2017 ("Acquisition Date"). The unaudited pro-forma consolidated financial statements have been prepared for illustrative purposes only and may not be indicative of the combined entities' financial position or operating results that would have occurred if the acquisitions had been in effect at the dates indicated. Actual amounts recorded upon consummation of the Agreement will likely differ from those recorded in the unaudited pro forma consolidated statement of financial position. The pro forma adjustments and allocations of the purchase price are based in part on estimates of the fair value of assets acquired and liabilities to be assumed. The final purchase price allocation will be completed after asset and liability valuations are finalized as of the date of the completion of the acquisition. The actual fair values of the assets and liabilities will be determined as of the Acquisition Date and may differ materially from the amounts disclosed in the assumed pro forma purchase price allocation because of changes in fair value of the assets and liabilities up to the date of the consummation of the Agreement, and as further analysis is completed.

Archer Petroleum Corp.

NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at May 31, 2017

(Unaudited – Expressed in Canadian Dollars)

2. PRO-FORMA TRANSACTIONS AND ADJUSTMENTS

The pro-forma consolidated financial statements reflect the following assumptions and adjustments:

- (a) Pursuant to the Agreement, Archer will acquire all of the issued and outstanding common shares of Atlas. For the purposes of these unaudited pro-forma consolidated financial statements, reverse acquisition accounting is used and Atlas is deemed to be the acquirer. The cash consideration has been treated as a return of capital. Since Archer's operations do not constitute a business, the carrying value of the net assets of Archer will be credited to the share capital of the Resulting Issuer. Estimated transaction costs of \$100,000 will be expensed. Listing expenses will be expensed and are calculated by reference to the value of Archer shares issued in the concurrent financing.

The purchase price has been allocated as follows:

| | \$ |
|---|-----------|
| 11,709,091 common shares of the Company at \$0.40 per share | 4,683,636 |
| Cash | 1,000,000 |
| <hr/> | |
| Fair value of consideration | 5,683,636 |
| <hr/> | |
| Cash | 165,353 |
| Accounts receivable | 8,829 |
| Other assets | 417 |
| Accounts payable and accrued liabilities | (72,725) |
| Extinguishment of Atlas preferred share liability | 1,000,000 |
| Listing expense | 4,581,762 |
| <hr/> | |
| | 5,683,636 |

Share capital, contributed surplus, accumulated other comprehensive income, and accumulated deficit for Archer are eliminated.

- (b) On August 9, 2017, Atlas issued exchangeable notes in the principal amount \$147,500. The principal amount of the Exchange Note is exchangeable into one common share for a price of \$0.20 per share and one Warrant at a price of \$0.40 per Warrant from Resulting Issuer.

On August 9, 2017, Atlas issued an Exchangeable Note in the principal amount of \$150,000. The principal amount of the Exchangeable Note is exchangeable into one common share for a price of \$0.20 per share from Resulting Issuer.

- (c) Concurrently with the closing of the Transaction, the Company will complete a private placement to obtain additional financing for minimum aggregate gross proceeds of \$3,500,000 and maximum gross proceeds of \$4,000,000. For the purpose of the pro-forma consolidated financial statements, it is assumed that this financing will result in the issuance of 10,000,000 shares at a price of \$0.40 per share, for gross proceeds of \$4,000,000.
- (d) As a result of the Transaction and assuming that the financing will result in the issuance of 10,000,000 shares at a price of \$0.40 per share, for gross proceeds of \$4,000,000, Archer will issue 7,732,197 common shares to shareholders of Atlas in exchange for all of the outstanding common shares of Atlas.

Archer Petroleum Corp.

NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at May 31, 2017

(Unaudited – Expressed in Canadian Dollars)

- (e) Concurrently with the closing of the Transaction, Archer will grant 1,750,000 stock options, exercisable at a price of \$0.40 per option, to the officers, directors, employees and consultants of the Company. The options are subject to vesting conditions as follows: one-third 6 months after grant date; one-third 12 months after grant date and one-third 18 months after grant date. The fair value of these options has been estimated to be \$609,702 using the Black-Scholes option pricing model and the following assumptions: dividend yield of 0%, expected volatility of 134%, a risk-free interest rate of 1.60%, and an expected life of 5 years. As no options have vested as at May 31, 2017 the Company has not recorded any share-based payment expense.

3. PRO-FORMA SHAREHOLDERS' EQUITY

Shareholders' equity as at May 31, 2017 in the unaudited pro-forma consolidated financial statements are comprised of the following:

| | Number of Shares # | Share Capital \$ | Exchange note \$ | Contributed Surplus \$ | Accumulated Other Comprehensive Income \$ | Retained Earnings (Deficit) \$ | Total \$ |
|---|--------------------------|------------------------|------------------------|------------------------------|---|---|------------------|
| Balance per unaudited condensed financial statements of Archer at May 31, 2017 | 11,709,091 | 22,123,295 | - | 3,138,997 | 137,604 | (25,298,022) | 101,874 |
| Balance per audited annual financial statements of Atlas at May 31, 2017 | 1,010 | 101 | - | - | - | (424,991) | (424,890) |
| Exchangeable note – equity component | - | - | 25,870 | - | - | - | 25,870 |
| Archer shares issued pursuant to the Transaction, net of costs of the Transaction | 7,732,197 | 4,683,636 | - | - | - | (4,581,762) | 101,874 |
| Estimated transaction costs pursuant to the Transaction | - | (50,000) | - | - | - | (50,000) | (100,000) |
| Archer private placement | 10,000,000 | 4,000,000 | - | - | - | - | 4,000,000 |
| Eliminate Archer equity | - | (22,123,295) | - | (3,138,997) | (137,604) | 25,298,022 | (101,874) |
| Eliminate Atlas Shares | (1,010) | - | - | - | - | - | - |
| As at May 31, 2017 | 29,441,288 | 8,633,737 | 25,870 | - | - | (5,056,753) | 3,602,854 |

4. EFFECTIVE TAX RATE

Upon completion of the Agreement the effective tax rate of the resulting issuer is expected to be 26%.

CERTIFICATE OF ISSUER

Dated: October 25, 2017

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of **ARCHER PETROLEUM CORP.** assuming Completion of the Transaction.

"Guy Champagne"

Guy Champagne
Chief Executive Officer

"Carmen Amezcuita Hernandez"

Carmen Amezcuita Hernandez
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

"Robert McMorran"

Robert McMorran
Director

"Kirk Gamley"

Kirk Gamley
Director

CERTIFICATE OF TARGET

Dated: October 25, 2017

The foregoing, as it relates to **ATLAS ENGINEERED PRODUCTS LTD.**, constitutes full, true and plain disclosure of all material facts relating to the securities of **ATLAS ENGINEERED PRODUCTS LTD.**

"Hadi Abassi"

Hadi Abassi
Chief Executive Officer

ON BEHALF OF THE BOARD OF DIRECTORS

"Hadi Abassi"

Hadi Abassi
Director