



Condensed Interim Consolidated Financial Statements

For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

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

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

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

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

Atlas Engineered Products Ltd.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - expressed in Canadian dollars)

	Note	November 30, 2017	May 31, 2017
		\$	\$
Assets			
Current			
Cash		2,607,805	234,848
Accounts receivable	6	1,833,076	893,104
Inventories	7	247,604	183,757
Prepaid expenditures		67,275	2,366
		4,755,760	1,314,075
Non-current			
Building and equipment	8	1,394,616	1,589,129
Deferred transaction costs		14,398	-
Due from related parties	16	-	744,611
Deferred income tax asset		563,356	10,738
Total Assets		6,728,130	3,658,553
Liabilities			
Current			
Accounts payable and accrued liabilities	9	1,193,586	919,488
Customer deposits		139,290	152,020
Corporate income taxes payable		204,290	181,414
Current portion of lease obligations	10	308,232	303,573
Current portion of long-term debt	11	-	29,040
Exchangeable note – liability portion	12	279,394	-
Preferred share liabilities	13	-	1,000,000
		2,124,792	2,585,535
Non-current			
Lease obligations	10	820,406	994,967
Long-term debt	11	-	502,941
		2,945,198	4,083,443
Shareholders' Equity (Deficit)			
Share capital	14(b)	8,855,785	101
Contributed surplus	14(c)	83,168	-
Exchangeable note – equity portion	12	19,144	-
Retained earnings (deficit)		(5,175,165)	(424,991)
		3,782,932	(424,890)
Total Liabilities and Shareholders' Equity		6,728,130	3,658,553

Nature of operations and going concern – Note 1
Subsequent events – Note 21

APPROVED BY THE DIRECTORS

"Kevin Smith" Director

"Guy Champagne" Director

Atlas Engineered Products Ltd.
Condensed Interim Consolidated Statements of Income and Comprehensive Income
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

	Note	Three months ended November 30,		Six months ended November 30,	
		2017	2016	2017	2016
				\$	\$
Revenue	15	2,791,623	2,294,954	5,530,681	4,255,344
Cost of sales	16	(1,995,701)	(1,645,375)	(3,994,727)	(3,018,142)
Gross profit		795,922	649,579	1,535,954	1,237,202
Operating expenses					
Administrative and office		34,429	33,462	59,377	65,671
Depreciation	8	36,414	38,690	72,719	72,367
Bad debt expense		11,979	-	11,979	25,843
Filing and transfer agent fees		51	-	51	-
Management fees		28,477	-	28,477	-
Professional fees		(16,633)	2,295	100,874	4,545
Salaries and benefits		89,263	38,122	130,029	92,353
Share-based payments		83,168	-	83,168	-
Shareholder communication		9,360	-	9,360	-
Travel		5,547	-	5,547	-
Operating income		513,867	537,010	1,034,373	976,423
Interest earned		670	184	1,306	320
Interest expense and other		(6,708)	(14,500)	(11,710)	(23,478)
Credit card processing costs		(34,525)	(30,293)	(70,178)	(63,228)
Accretion expense		(6,259)	-	(7,764)	-
Fx gain (loss)		(213)	-	(213)	-
Finance charge on leases	10	(20,140)	(23,295)	(40,754)	(47,048)
(Loss) gain on disposal of equipment		(5,802)	1,436	(5,802)	1,436
Listing expense		(4,864,786)	-	(4,864,786)	-
Income before tax		(4,423,896)	470,542	(3,965,528)	844,425
Income taxes					
Current income tax (expense) recovery		39,223	(101,810)	(22,876)	(182,392)
Deferred income tax expense		(121,800)	-	(185,287)	-
		(82,577)	(101,810)	(208,163)	(182,392)
Net (loss) income for the period		(4,506,473)	368,732	(4,173,691)	662,033
(Loss) earnings per share					
Basic and diluted		(0.55)	365	(1.04)	655
Weighted average number of shares outstanding					
Basic and diluted		8,195,662	1,010	4,031,202	1,010

Atlas Engineered Products Ltd.
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

	November 30, 2017	November 30, 2016
	\$	\$
Cash provided by (used in):		
Operating activities		
Net income for the period	(4,173,691)	662,033
Depreciation	191,655	186,492
Accretion expense	7,764	-
Deferred income tax expense (recovery)	185,287	-
Loss (gain) on disposal of equipment	5,802	(1,436)
Share-based payments	83,168	-
Listing expense	4,864,786	-
Changes in non-cash working capital items		
Accounts receivable	(916,074)	(601,252)
Inventories	(63,847)	26,164
Prepaid expenses	(49,909)	(27,993)
Accounts payable and accrued liabilities	(360)	120,641
Customer deposits	(12,730)	26,120
Corporate income taxes payable	22,876	(88,964)
	144,727	301,805
Investing activities		
Acquisition of equipment	(24,975)	(98,989)
Deferred acquisition costs	(14,398)	-
Advances to Coastal Windows Ltd.	-	(394,399)
Cash acquired in RTO transaction	56,923	-
	17,550	(493,388)
Financing activities		
Preferred share liability	(1,000,000)	-
Shares issued for cash	4,226,400	-
Cash share issue costs	(54,372)	-
Payment of capital lease obligations	(147,871)	(103,983)
Proceeds from exchangeable notes	147,500	-
Dividends paid	(576,483)	-
(Repayment) issuance of long-term debt	(384,494)	183,800
	2,210,680	79,817
Increase (decrease) in cash	2,372,957	(111,766)
Cash - beginning of period	234,848	111,766
Cash - end of period	2,607,805	-
Cash paid during the period for:		
Interest	48,685	56,896
Income taxes	-	158,500

Supplemental cash flow information – Note 18

Atlas Engineered Products Ltd.
Condensed Interim Consolidated Statements of Changes in Equity (Deficit)
(Unaudited - expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Exchangeable Note – Equity Component	Contributed Surplus	Retained Earnings (Deficit)	Total
		\$	\$	\$	\$	\$
Balance, May 31, 2016	1,010	101	-	-	314,052	314,153
Net income for the period	-	-	-	-	662,033	662,033
Balance, November 30, 2016	1,010	101	-	-	976,085	976,186
Net loss for the period	-	-	-	-	(1,041,076)	(1,041,076)
Balance, May 31, 2017	1,010	101	-	-	(424,991)	(424,890)
Shares issued on the amalgamation with Coastal (Note 5)	200	20	-	-	-	20
Exchangeable note (Note 12)	-	-	19,144	-	-	19,144
Recapitalization transactions (Note 4)						
Shares issued on RTO	11,709,091	4,683,636	-	-	-	4,683,636
Exchanged for shares issued to shareholders pursuant to RTO	8,047,764	-	-	-	-	-
Shares cancelled pursuant to RTO	(1,210)	-	-	-	-	-
Shares issued pursuant to private placement	10,566,000	4,226,400	-	-	-	4,226,400
Shares issued as finders fees	407,550	252,681	-	-	-	252,681
Less: cash share issue costs	-	(307,053)	-	-	-	(307,053)
Share-based payments	-	-	-	83,168	-	83,168
Dividends paid	-	-	-	-	(576,483)	(576,483)
Net loss for the period	-	-	-	-	(4,173,691)	(4,173,691)
Balance, November 30, 2017	30,730,405	8,855,785	19,144	83,168	(5,175,165)	3,782,932

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

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - 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 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.

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

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

On November 6, 2017, the Company completed the transaction with Archer Petroleum Corp. (“Archer”) whereby Archer has agreed to acquire all of the issued and outstanding shares of Atlas through a reverse takeover transaction (the “RTO” or the “Transaction”). On completion of the Transaction, the shareholders of Atlas obtained 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 as at the date of the RTO deemed to be acquired by Atlas. The consolidated financial statements for the six months ended November 30, 2017 include the results of operations of Atlas from June 1, 2017 and of the Company from November 6, the date of the RTO. The comparative figures are those of Atlas. Refer to Note 4 for details of the Transaction.

2. Basis of preparation

Statement of compliance and functional currency

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

The accounts of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on January 24, 2018.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

3. Accounting policies

Initial adoption of accounting policies

These condensed interim consolidated financial statements have been prepared on a basis consistent with the significant accounting policies disclosed in the annual financial statements for the year ended May 31, 2017, except for the following policies adopted in the current financial period:

a) Exchangeable notes

Exchangeable notes are separated into their liability and equity components on the statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of a similar liability without an associated equity conversion feature and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for debt with similar terms at the time of issue. The fair value of the equity component (conversion feature) is determined at the time of issue as the difference between the face value of the exchangeable note and the fair value of the liability component

b) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Under the guidance of IFRS 10 Consolidated Financial Statements, control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquirer's returns. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date. During the six months ended November 30, 2017, the Company's reverse takeover transaction with Archer and the amalgamation with Coastal were recorded as asset acquisitions.

c) Share-based Payments

Common shares issued for non-monetary consideration are recorded at the fair value of the goods or services received. When the value of goods or services received in exchange for share-based payments cannot be reliably estimated, the value is measured by reference to the trading price of the Company's shares on the TSX Venture Exchange ("the TSX-V") on the date of the agreement to issue the shares. If market prices are not available, fair value is measured by use of a valuation model.

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

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 Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

4. Reverse takeover transaction

On November 6, 2017, the Company completed a transaction with Archer Petroleum Corp. (“Archer”) whereby Archer had agreed to acquire all of the issued and outstanding shares of Atlas (the “Transaction”). Under the terms of the Transaction, Archer paid the principal shareholders \$1,000,000 and issued shares to the shareholders of Atlas on a 1:1 basis. On completion of the Transaction, the shareholders of Atlas obtained 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 acquired as at the date of the Transaction.

On completion of the Transaction, Atlas was renamed 1128469 BC Ltd. and Archer was renamed Atlas Engineered Products Ltd.

In accordance with IFRS 3, the substance of the transaction was a reverse takeover (“RTO”) of a non-operating company. The transaction does not constitute a business combination since Archer does not meet the definition of a business under IFRS 3. As a result, the transaction is accounted for as an asset acquisition with Atlas being identified as the acquirer (legal subsidiary) and Archer being treated as the accounting subsidiary (legal parent) with the transaction being measured at the fair value of the equity consideration issued to Archer.

The net assets acquired was the fair value of the net assets of Archer, which on November 6, 2017 was (\$181,150). The amount was calculated as follows:

Category	\$
Fair value of 11,709,091 common shares of the Company at \$0.40 per share	4,683,636
Cash	1,000,000
Total consideration	5,683,636
Cash	56,923
Accounts receivable	23,898
Prepaid expenditures	15,000
Accounts payable and accrued liabilities	(276,971)
Extinguishment of Atlas preferred share liability	1,000,000
Listing expense	4,864,786
	5,683,636

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

5. Amalgamation with Coastal Windows Ltd.

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

For accounting purposes, Coastal was acquired and this was recorded as an asset acquisition. At the time of the transaction, both Atlas and Coastal were under common control, and therefore the accounting is applied as a continuity of interests.

Consideration paid:

	\$
Fair value of 200 common shares issued	20

The fair value of identifiable assets acquired and liabilities assumed from Coastal were as follows:

	\$
Deferred income tax asset	744,631
Due to Atlas Engineered Products Ltd.	(744,611)
Total identifiable assets acquired	20

Upon acquisition, there was an amalgamation of Atlas and Coastal. As a result of the amalgamation of Atlas 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. The due from Coastal account at May 31, 2017, previously limited to the tax effect of the tax losses carried forward of \$744,611, was eliminated, and the tax effect of the loss carry forward increased the deferred tax asset.

6. Accounts Receivable

	November 30, 2017	May 31, 2017
	\$	\$
Trade accounts receivable	1,804,292	892,055
GST receivable	28,434	-
Other receivables	350	1,049
Due from shareholder	-	-
	1,833,076	893,104

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

	Three months ended November 30		Six months ended November 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Allowance for doubtful accounts, beginning of period	-	30,662	-	-
Allowance recognized during the period	-	-	-	30,662
Amounts written off during the period as uncollectable	-	-	-	-
Allowance for doubtful accounts, end of period	-	30,662	-	30,662

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

7. Inventories

	November 30, 2017	May 31, 2017
	\$	\$
Raw materials	187,904	128,645
Work in progress	30,532	34,532
Finished goods	29,168	20,580
	247,604	183,757

During the three and six months ended November 30, 2017 \$1,541,727 and \$3,112,854 in inventory was expensed through cost of sales (2016 - \$1,258,034 and \$2,242,144).

8. Building and equipment

	Building	Office	Vehicles	Equipment	Computer Equipment	Signage and Parking Lot	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
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
Additions	-	-	17,416	-	7,559	-	24,975
Disposals	-	-	(39,418)	-	-	-	(39,418)
Balance, Nov 30, 2017	1,148,158	97,894	807,108	1,219,952	210,573	191,062	3,674,747
Accumulated depreciation and rental charge							
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
Additions	114,816	593	52,270	19,233	1,641	3,102	191,655
Disposals	-	-	(11,585)	-	-	-	(11,585)
Balance, Nov 30, 2017	420,990	92,557	407,812	1,046,861	194,236	117,675	2,280,131
Carrying amount at May 31, 2017	841,984	5,930	461,983	192,324	10,419	76,489	1,589,129
Carrying amount at Nov 30, 2017	727,168	5,337	399,296	173,091	16,337	73,387	1,394,616

Depreciation during the three and six months ended November 30, 2017 was \$95,891 and \$191,655 (2016 - \$94,960 and \$186,492). During the three and six months ended November 30, 2017 \$59,477 and \$118,936 of the depreciation was included in cost of sales (2016 - \$56,270 and \$114,125).

As at November 30, 2017, the Company's vehicles include a net carrying amount of \$360,853 (2016 - \$428,331) of vehicles recorded as right-of-use assets under lease agreements. During the three and six months ended November 30, 2017 a depreciation charge of \$23,111 and \$46,222 (2016 - \$23,468 and \$43,291) was recorded on the right-of-use vehicles. The amounts disclosed above for building relate solely to a right-of-use asset rental lease.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

9. Accounts payable and accrued liabilities

	November 30, 2017	May 31, 2017
	\$	\$
Trade accounts payable	758,323	517,115
Sales taxes payable	110,126	136,302
Salaries and vacation payable	115,856	81,033
Other accounts payable	119,581	119,138
Accrued liabilities	89,700	65,900
	1,193,586	919,488

10. Lease obligations

The terms and the outstanding balances of the lease obligations as at November 30, 2017 and May 31, 2017 are as follows:

	November 30, 2017	May 31, 2017
	\$	\$
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	759,375	866,398
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	58,311	67,872
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	191,982	211,963
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 September 2021	-	23,300
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	47,042	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	71,928	78,303
Total lease obligation	1,128,638	1,298,540
Current portion	(308,232)	(303,573)
Non-current portion	820,406	994,967

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

10. Lease obligations (continued)

The following is a schedule of the total lease payments made during the three and six months ended November 30, 2017 and 2016:

	Three months ended November 30		Six months ended November 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Principal payment	73,891	68,530	147,871	135,121
Interest expense	19,138	23,295	39,752	47,048
Total lease payments	93,029	91,825	187,623	182,169

During six months ended November 30, 2017 no assets under a right-of-use asset lease were acquired (2016 - One forklift in the amount of \$85,566 and one vehicle in the amount of \$55,486).

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

	November 30, 2017
	\$
2018	186,082
2019	372,149
2020	376,022
2021	300,559
2022	23,272
Total minimum lease payments	1,258,084
Less: imputed interest	(129,446)
Total present value of minimum lease payments	1,128,638
Less: Current portion	(308,232)
Non-current portion	820,406

11. Long-term debt

The long-term debt consists of the following:

	November 30, 2017	May 31, 2017
	\$	\$
Loan payable ¹	-	98,881
BDC loan ²	-	133,100
Director loan ³	-	300,000
		531,981
Less short-term portion of long-term debt	-	(29,040)
Total long-term debt	-	502,941

1. Loan payable, bearing interest at 10% per annum, with no set term for repayment.
2. 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%.
3. Personal loan from director, bearing no interest, with no set term for repayment.

In November, following the RTO and concurrent private placement, all long-term debt balances were paid in full.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

12. 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 of the resulting company 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 of the resulting company 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.

13. 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.

On completion of the Transaction, Archer is the shareholder of the preferred shares originally issued by Atlas. Therefore, these preferred share liabilities are eliminated upon the consolidation of Atlas and Archer.

14. Share capital

a) Authorized:

Unlimited common shares without par value

b) Share capital transactions

Prior to completion of the RTO and on November 30, 2017, 1128469 BC Ltd. had the following shares outstanding:

Issued	\$
Class A common shares: 10	1
Class A1 common shares: 100	10
Class A2 common shares: 100	10
Class B common shares: 1,000	100
	121

Prior to the completion of the RTO, 1128469 BC Ltd. declared dividends of \$576,483. Upon completion of the RTO the original shares of 1128469 BC Ltd. were cancelled.

On December 21, 2016, 11,709,091 common shares were deemed to be issued by 1128469 BC Ltd. as a result of the RTO (refer to Note 4). The fair value of the 11,709,091 common shares deemed issued (\$4,683,636) was estimated using a fair value of \$0.40 per share.

On November 6, 2017 the Company completed a private placement, issuing 10,566,000 common shares at \$0.40 per share for gross proceeds of \$4,226,400. The Company also issued 407,550 finders' shares and incurred \$54,372 of cash issue costs.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

c) Options

The Company has adopted a share option plan that allows for the issuance of up to 10% of the issued and outstanding shares as incentive share options to directors, officers, employees and consultants to the Company. Share options granted under the plan may be subject to vesting provisions as determined by the Board of Directors.

The Company's share options outstanding as at November 30, 2017 and May 31, 2017 and the changes for the period then ended are as follows:

	Number	Weighted average exercise price \$
Balance as at May 31, 2017	-	-
Granted – November 8, 2017	1,847,500	0.49
Balance as at November 30, 2017	1,847,500	0.49

The total share-based payment expense recorded during the three and six months ended November 30, 2017 was \$83,168 (2016: \$nil).

The following table summarizes information about the share options as at November 30, 2017:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years) options outstanding	Weighted exercise price of options exercisable	Number of options exercisable	Expiry date
\$0.49	1,847,500	4.94	\$0.49	-	November 8, 2022

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

Issue date	Expected option life (years)	Risk free interest rate	Dividend yield	Expected volatility	Weighted average fair value
November 8, 2017	5.00	1.60%	nil	146%	\$0.44

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

15. 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 three and six months ended November 30, 2017 and 2016 is as follows:

Three months ended November 30, 2017

	Trusses	Engineered wood products	Freight	Steel	Total
	\$	\$	\$	\$	\$
Revenue	1,994,981	669,547	114,750	12,345	2,791,623

Three months ended November 30, 2016

	Trusses	Engineered wood products	Freight	Steel	Total
	\$	\$	\$	\$	\$
Revenue	1,805,363	377,083	101,313	11,195	2,294,954

Six months ended November 30, 2017

	Trusses	Engineered wood products	Freight	Steel	Total
	\$	\$	\$	\$	\$
Revenue	3,864,112	1,410,006	231,190	25,373	5,530,681

Six months ended November 30, 2016

	Trusses	Engineered wood products	Freight	Steel	Total
	\$	\$	\$	\$	\$
Revenue	3,336,933	709,533	188,221	20,657	4,255,344

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

16. Cost of sales

Cost of sales is broken down as follows:

	Three months ended November 30		Six months ended November 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Materials	1,201,297	988,382	2,457,648	1,754,229
Labour	583,132	488,057	1,130,962	945,194
Maintenance and overhead	151,795	112,666	287,181	204,594
Amortization	59,477	56,270	118,936	114,125
Total cost of sales	1,995,701	1,645,375	3,994,727	3,018,142

17. Related party transactions

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

The Company incurred the following charges during the three and six months ended November 30, 2017 and 2016:

Service or item	Three months ended November 30		Six months ended November 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Salaries and benefits	35,250	-	62,942	-
Management fees	20,833	-	20,833	-
Professional fees	3,323	-	3,323	-
Cost of sales	49,854	27,825	118,726	75,103
Finance charge on leases	12,083	15,261	24,977	31,285
Share-based compensation	51,769	-	51,769	-

Due to/from related parties

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

	November 30, 2017	May 31, 2017
	\$	\$
Due from related parties		
Coastal Windows Ltd. (formerly 1119866 BC Ltd.) ¹	155,791	-
Coastal Windows Ltd.	-	744,611
Total due from related parties	155,791	744,611
Due to related parties		
Accounts payable	(10,295)	(79,686)
Exchangeable note – liability portion	(46,957)	-
Director loan	-	(300,000)
Lease obligation	(795,375)	(866,398)
Total due to related parties	(852,627)	(1,246,084)

Note 1: 1119866 BC Ltd. was renamed Coastal Windows Ltd. after the amalgamation of Atlas and Coastal.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

18. Supplemental cash flow information

Investing and financing activities that do not have a direct impact on the current cash flows are excluded from the cash flow statements. During the six months ended November 30, 2017 and 2016 the Company had the following non-cash investing and financing activities:

Six months ended November 30, 2017

- \$150,000 in long-term debt was converted into an exchangeable note (Note 12);
- The issuance of 200 common shares valued at \$20 pursuant to the amalgamation of Coastal (Note 5); and
- The issuance of 11,709,091 common shares valued at \$4,683,636 pursuant to the RTO (Note 4).

Six months ended November 30, 2016

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

19. Financial instruments

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, preferred share liabilities, and the liability portion of the exchangeable notes. 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, preferred share liabilities, and the liability portion of the exchangeable notes are classified as other financial liabilities, which are measured at amortized cost.

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

There have been no changes in any risk management policies since May 31, 2017.

20. 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 since May 31, 2017.

Atlas Engineered Products Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended November 30, 2017 and 2016
(Unaudited - expressed in Canadian dollars)

21. Subsequent events

Acquisition of Selkirk Truss

On November 16, 2017, the Company entered into a definitive agreement (the "Selkirk Definitive Agreement") with Selkirk Truss (2010) Ltd. ("Selkirk") whereby the Company will acquire all of the issued and outstanding shares of Selkirk for \$150,000 in common shares of the Company (the "Consideration Shares"). In addition, the shareholder of Selkirk will be entitled to receive up to an additional \$600,000 in common shares of the Company (the "Performance Shares") upon Selkirk achieving the following milestones:

1. \$200,000 in common shares of the Company if Selkirk's net income exceeds \$150,000 in its 2018 fiscal year end;
2. \$200,000 in common shares of the Company if Selkirk's cumulative net income exceeds \$400,000 for fiscal 2018 and 2019, and
3. \$200,000 in common shares of the Company if Selkirk's cumulative net income exceeds \$1,100,000 for fiscal 2018, 2019 and 2020.

Completion of the transaction is subject to a number of conditions, including but not limited to, completion of due diligence, negotiation of definitive agreements in respect of such a transaction and receipt of any required regulatory approvals.

Acquisition of Clinton Truss

On December 4, 2017, the Company entered into a definitive agreement (the "Clinton Definitive Agreement") whereby the Company will acquire all of the issued and outstanding shares of Clinton Roof Truss Ltd. ("Clinton") for \$2,100,000 cash and \$140,000 in common shares of the Company. In addition, the shareholders of Clinton will receive an additional \$360,000, which will be paid \$10,000 per month for the 36 months following closing of the Transaction. A significant portion of the cash required to complete the transaction will be provided by mortgage financing and a term loan.

Completion of the transaction is subject to a number of conditions, including but not limited to, completion of due diligence, negotiation of definitive agreements in respect of such a transaction and receipt of any required regulatory approvals.