ARCHER PETROLEUM CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2016

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company for the six months ended May 31, 2016 and 2015 have been prepared by and are the responsibility of the Company's management.

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

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

ARCHER PETROLEUM CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian Dollars)

	Notes	**May 31, 2016 ($)**	November 30, 2015 ($)
ASSETS			
Current			
Cash		**688**	7,414
GST recoverable		**2,538**	1,002
Prepaid expenses and other assets		**-**	2,147
		3,226	10,563
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**4, 9**	**334,549**	513,054
Convertible loan – debt component	**5**	**180,000**	176,068
Promissory notes	**6**	**30,000**	-
		544,549	689,122
SHAREHOLDERS' DEFICIENCY			
Share capital	**7**	**21,406,529**	21,406,529
Convertible loan – equity component	**5**	**-**	22,319
Contributed surplus		**3,138,997**	3,116,678
Accumulated other comprehensive income		**137,731**	136,701
Deficit		**(25,224,580)**	(25,360,786)
		(541,323)	(678,559)
		3,226	10,563

Organization and nature of operations - Note 1

Going concern – Note 2

APPROVED BY THE DIRECTORS

"Robert McMorran"	Director	*"Colin Bowkett"*	Director
Robert McMorran		Colin Bowkett	

ARCHER PETROLEUM CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the three and six months ended May 31, 2016 and 2015

(Unaudited - Expressed in Canadian Dollars)

		Three months ended May 31,		Six months ended May 31,	
		2016	2015	**2016**	2015
	Note	**($)**	($)	**($)**	($)
Expenses					
General and administrative	**8**	**24,401**	102,550	**43,436**	194,455
Share-based payments	**7(b)**	**-**	(845)	**-**	3,421
Interest on convertible loan	**5**	**4,950**	4,950	**9,900**	9,900
Foreign exchange (gain) loss		**(6,927)**	(283)	**(4,675)**	11,898
Accretion of convertible loan	**5**	**995**	2,794	**3,932**	5,543
Loss for the period before other items		**(23,419)**	(109,166)	**(52,593)**	(225,217)
Other items					
Gain on debt settlement	**4**	**188,799**	-	**188,799**	-
Realized loss on sale of marketable securities		**-**	(123,041)	**-**	(123,041)
Income (loss) for the period		**165,380**	(232,207)	**136,206**	(348,258)
Other comprehensive income (loss)					
Change in fair value of marketable securities		**-**	43,832	**-**	-
Exchange differences on translation of foreign operations		**1,547**	(2,441)	**1,030**	40,069
Total comprehensive income (loss) for the period		**166,927**	(190,816)	**137,236**	(308,189)
Basic and diluted income (loss) per share	**7(e)**	**0.00**	(0.00)	**0.00**	(0.01)
Weighted average number of shares outstanding		**54,181,810**	54,181,810	**54,181,810**	54,181,810

ARCHER PETROLEUM CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIENCY) EQUITY

For the six months ended May 31, 2016 and 2015

(Unaudited - Expressed in Canadian Dollars)

	Common Shares #	Share Capital ($)	Subscriptions Receivable ($)	Convertible Loan – Equity Component ($)	Contributed Surplus ($)	AOCI ($)	Deficit ($)	Total ($)
Balance – November 30, 2014	54,181,810	21,431,529	(25,000)	22,319	3,113,013	59,547	(24,262,244)	339,164
Share-based payments	-	-	-	-	3,421	-	-	3,421
Loss and comprehensive loss for the period	-	-	-	-	-	40,069	(348,258)	(308,189)
Balance – May 31, 2015	54,181,810	21,431,529	(25,000)	22,319	3,116,434	99,616	(24,610,502)	34,396
Overallotment of shares	-	(25,000)	25,000	-	-	-	-	-
Share-based payments	-	-	-	-	244	-	-	244
Loss and comprehensive loss for the period	-	-	-	-	-	37,085	(750,284)	(713,199)
Balance – November 30, 2015	54,181,810	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	54,181,810	21,406,529	-	-	3,138,997	137,731	(25,224,580)	(541,323)

ARCHER PETROLEUM CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended May 31, 2016 and 2015

(Unaudited - Expressed in Canadian Dollars)

	2016 ($)	2015 ($)
Cash (used in) provided by		
Operating activities		
Income (loss) for the period	**136,206**	(348,258)
Add (deduct) items not involving cash:		
Share-based payments	**-**	3,421
Unrealized foreign exchange loss (gain)	**1,030**	(2,802)
Accretion of convertible loan	**3,932**	5,543
Gain on debt settlement	**(188,799)**	-
Realized loss on sale of marketable securities	**-**	123,041
	(47,631)	(219,055)
Changes in non-cash working capital items related to operations:		
GST recoverable	**(1,536)**	5,004
Prepaid expenses and other assets	**2,147**	4,095
Accounts payable and accrued liabilities	**10,294**	(3,988)
	(36,726)	(213,944)
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	**30,000**	-
Decrease in cash during the period	**(6,726)**	(146,967)
Cash, beginning of the period	**7,414**	158,106
Cash, end of the period	**688**	11,139
Cash paid for interest	**-**	-
Cash paid for income taxes	**-**	-

(Unaudited - Expressed in Canadian Dollars)

1 Organization and Nature of Operations

Archer Petroleum Corp. (or the "Company") is in the business of acquiring, exploring and evaluating oil and gas and other energy producing properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company trades on the TSX Venture Exchange ("TSXV") under the symbol "ARK". 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, 2016, the Company had not yet achieved profitable operations, had a working capital deficiency of $541,323, had an accumulated deficit of $25,224,580 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 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, 2015, 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, 2015.

These financial statements were approved by the board of directors for use on July 19, 2016.

4 Accounts Payable and Accrued Liabilities

	May 31, 2016 ($)	November 30, 2015 ($)
Trade payables	**126,708**	227,086
Interest payable on convertible loan (Note 5)	**42,900**	33,000
Amounts due to related parties (Note 9)	**164,941**	252,968
Total accounts payable and accrued liabilities	**334,549**	513,054

(Unaudited - Expressed in Canadian Dollars)

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 six months ended May 31, 2016, the Company recorded a gain on debt settlement of $188,799.

5 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	-	(22,319)
Balance – May 31, 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.

For accounting purposes, the convertible loan is 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, 2016, the Company recorded interest expense of $9,900 (2015 - $9,900) and accretion expense of $3,932 (2015 - $5,543).

6 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.

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.

(Unaudited - Expressed in Canadian Dollars)

b) 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, 2016 and November 30, 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	4,599,112	0.23	5.90
Expired	(332,500)	1.46	
Outstanding, November 30, 2015	4,266,612	0.13	5.31
Expired	(15,500)	1.20	
Outstanding and exercisable, May 31, 2016	4,251,112	0.13	4.82

At May 31, 2016, the following 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
2,500,000	$ 0.07	November 28, 2019
1,651,112	$ 0.20	February 14, 2023
100,000	$ 0.40	April 9, 2023
4,251,112		

During the six months ended May 31, 2016, the Company had share-based payments expense of $nil (2015 - $3,421) based on the vesting of previously granted options.

(Unaudited - Expressed in Canadian Dollars)

c) Warrants:

A summary of warrants outstanding and exercisable as of May 31, 2016 and November 30, 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	24,613,300	0.14	1.16
Expired	(2,716,050)	0.56	
Outstanding, November 30, 2015	21,897,250	0.09	0.25
Expired	(18,341,000)	0.10	
Outstanding, May 31, 2016	3,556,250	0.05	0.48

At May 31, 2016, the Company had 3,556,250 warrants outstanding with an exercise price of $0.05 per share and an expiry date of November 24, 2016.

d) Convertible Loan:

The Company had an outstanding convertible loan (Note 5) which was convertible into 900,000 common shares of the Company. During the six months ended May 31, 2016, the conversion feature expired unexercised.

e) Basic and Diluted Loss per Share:

During the six months ended May 31, 2016 and 2015, potentially dilutive common shares totalling 7,807,362 (2015 – 28,288,562) 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, 2016 and 2015:

	Three months ended May 31,		**Six months ended May 31,**	
	2016 ($)	2015 ($)	**2016 ($)**	2015 ($)
Accounting and audit fees	**8,659**	18,710	**9,392**	24,708
Filing and transfer agent fees	**2,780**	15,149	**9,214**	24,523
Legal fees	**2,279**	1,596	**2,279**	3,740
Management fees	**10,500**	49,971	**21,000**	98,842
Office and miscellaneous	**183**	14,251	**1,551**	28,101
Shareholder communications	**-**	2,873	**-**	14,541
	24,401	102,550	**43,436**	194,455

(Unaudited - Expressed in Canadian Dollars)

9 Related Party Transactions

The Company incurred the following expenditures during the three and six months ended May 31, 2016 and 2015 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,**	
	2016	2015	**2016**	2015
	($)	($)	**($)**	($)
General and administrative expenses				
Accounting and legal fees	**6,859**	9,864	**7,592**	8,242
Management fees	**10,500**	49,971	**21,000**	48,871
	17,359	59,835	**28,592**	57,113

Included in accounts payable and accrued liabilities as at May 31, 2016 is $164,941 (November 30, 2015 – $252,968) due to companies controlled by directors of the Company and to directors and officers of the Company.

During the six months ended May 31, 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 6) as at May 31, 2016 is $15,000 due to 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 three and six months ended May 31, 2016 and 2015 is identical to the table above.