ATLAS BLOCKCHAIN GROUP INC.

(formerly Atlas Cloud Enterprises Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

For the Three and Nine Month Periods Ended February 28, 2019

This Management Discussion and Analysis for Atlas Blockchain Group Inc. (formerly Atlas Cloud Enterprises Inc., "Atlas" or the "Company") provides analysis of the Company's condensed interim consolidated financial results for the three and nine month periods ended February 28, 2019 and should be read in conjunction with the accompanying condensed interim consolidated financial statements and related notes for the three and nine month periods ended February 28, 2019.

1.1 <u>Date of Report</u>

The following Management Discussion and Analysis ("MD&A") focuses on significant factors that have affected Atlas Blockchain Group Inc. (formerly Atlas Cloud Enterprises Inc., herein after referred to as the "Company" or "Atlas") performance and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements and related notes for the three and nine month periods ended February 28, 2019 and the Company's annual audited consolidated financial statements and related notes for the year ended May 31, 2018 which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted, all currency amounts are in Canadian dollars. This MD&A is dated April 15, 2019.

Forward-Looking Information

This MD&A and the documents incorporated by reference herein contains certain statements, which may constitute "forward-looking information" within the meaning of Canadian securities law requirements ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which 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. The Company provides 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. Certain forward-looking statements in this MD&A include, but are not limited to the following:

- the Company's strategies and objectives, both generally and in respect of its existing business;
- the Company's plans to grow sales and offer new products and services;
- conditions in the financial markets generally, and with respect to the prospects for small capitalization commercial/technologies companies specifically;
- the expected demand for the Company's services;
- the Company's future cash requirements; and
- the timing, pricing, completion, regulatory approval of proposed financings.

The above and other aspects of the Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company's ability to obtain the necessary financing and the general impact of financial market conditions, the demand for the Company's services, the success of the Company's current and future development efforts, changes in prices of required equipment and commodities, competition, foreseen and unforeseen government regulations and other risks.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the condensed interim consolidated financial statements, are the responsibility of management. In the preparation of these condensed interim consolidated financial statements, estimates are sometimes necessary to make a determination of the future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying condensed interim consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

1.2 Overall Performance

Nature of Business and Overall Performance

The Company was incorporated under the Business Corporations Act (Alberta) on January 21, 2010.

The Company entered into a Share Exchange Agreement on March 18, 2014 which completed July 23, 2014 with Atlas Cloud Enterprises (2013) Ltd., a private British Columbia corporation, and the shareholders of Atlas Cloud, whereby the Company acquired 100% of the issued and outstanding shares in exchange for 5,000,000 common shares of the Company.

The Company was previously listed on the Canadian Securities Exchange ("CSE") as a junior resource exploration company under the symbol "SYP". Upon completion of the transaction on July 23, 2014, the Company changed its name from Sypher Resources Ltd. to Atlas Cloud Enterprises Inc. and its common shares trade under the symbol "AKE", as well as on the OTCMKTS and XFRA, under "ATLEF" and "A49" respectively. The Company's head office is located at 308 East 5th Avenue, Vancouver, BC V5T 1H4 and its registered and records office is 1055 West Georgia Street, Royal Centre, P.O. Box 11117, Vancouver, BC V6E 4N7.

The Company effected its continuation into the province of British Columbia on July 18, 2018 and changed its name to "Atlas Blockchain Group Inc." effective July 27, 2018. The Company's CSE ticker symbol did not change and remains "AKE".

The Company's current primary business is utilizing specialized equipment to solve complex computational problems to validate transactions on the blockchain. The Company receives digital assets for this service. Due to decline of, and instability in, the prices of cryptocurrencies globally in 2018, all cryptocurrency mining operations have been suspended.

The Company's secondary business is co-location, back-up/redundancy IT, telecom equipment, cloud computing to small and medium size businesses in Western Canada. The Company also provides software manufacturing rental facilities to IT start-up companies in Vancouver, British Columbia.

Cryptocurrency Mining Services

Cryptocurrency mining is the process of confirming transactions to be added on a blockchain by solving complex, computation puzzles using high performance computers. Cryptocurrency is critical to the continuing functioning and security of the cryptocurrency network and, to incentivize this activity, a miner that verifies and solves a new block is awarded a newly generated quantity of cryptocurrency. At this time the Company is focused on mining Bitcoin. The Company may exchange a portion of coins earned through its mining operations for fiat currencies, such as Canadian dollars or US dollars in order to fund forecasted expenses from time to time, while holding the remainder as digital assets to benefit from price appreciation/volatility.

MKH Acquisition

On December 20, 2017, the Company announced the intention to acquire all the issued and outstanding shares of MKH Electric City Holdings, LLC, a Washington State company which owns a 6,600-square-foot location (the "Facility"), which the Company believes will be ideal for cryptocurrency mining.

During the year ended May 31, 2018, the Company acquired all the issued and outstanding shares of MKH Electric City Holdings, LLC for USD$300,000.

The Facility (the "Grant County Data Centre" or the "GCDC"), located in Electric City, Washington, is less than five kilometres from the Grand Coulee dam, which impounds a sizable portion of the Columbia River. Due to its location, the GCDC significantly benefits from electrical provisioning at approximately US$0.03 per kilowatt-hour. In August last year the Grant County Public Utility District ("PUD") voted for an increase in rates over a 3-year period starting in April of 2019. Rate 17 customers, like Atlas, will be subject to a 15-percent increase this year, a 35-percent increase in 2020 and a 50-percent increase in 2021, when the new rate will be fully in effect. As a new evolving-industry customer, Atlas would come in at the rate-phase in effect at the time we begin operations. Each annual increase will be calculated on the difference between what Atlas will be paying initially (per kilowatt hour) and the higher, target rate.

The GCDC has completed renovations to become a dedicated five-megawatt (5.0 MW) cryptocurrency mining operation. The Company is working with the Grant County PUD which has undertaken an application prioritization process to manage the energization schedule for the GCDC. We have completed our application and are waiting to be informed of our scheduled date.

While working on the GCDC renovation and during the year ended May 31, 2018, Atlas entered into a private co-located hosting arrangement with an industry partner and commenced operation of the previously announced USD$2.38 million order of 1,000 ASIC S9 miners. As at the date of this report, the mining operation has been suspended due to adverse market conditions, increase in bitcoin network mining difficulty and decrease in the price of bitcoin.

Co-location and Cloud Services

The Company is also in the business of providing co-location and back-up/redundancy IT and telecom equipment, and cloud computing, to small and medium businesses in Western Canada.

There is a growing trend in the computing and information storage sectors towards cloud computing. Many businesses and non-profit organizations are moving away from the capital investment required to set up a network computer system and the on-going operating costs of maintaining a computer system, and are opting instead to use and pay only for the equipment and storage that they need, via the Internet, which is the essence of cloud computing. There is also a growing trend of businesses using off-site backup of their computer files, known as co-location. Co-location operates on the basis of having a second set of files or information stored on another computer at another location, which can be accessed if the business's primary computers fail. The Company plans to capitalize upon both of these trends by offering both cloud computing services and co-location services.

To ensure security of its services, the Company invested in upgraded power supply, backup power supplies through batteries and generators, reinforced premises in case of earthquakes, emergency plans in case of floods or other natural disasters, and high-speed fibre optic access.

The co-location and cloud services business has fully developed capabilities and growth opportunities exist by selling cloud and other services to existing and new information technology related businesses.

Software Manufacturing Rental Facilities

In December 2014, the Company executed an agreement to acquire the assets of The Cranium ("Cranium"), an entity providing software manufacturing rental facilities for startup and growth information technology companies. Cranium provides committed space to start-up and growth IT companies, providing desks, chairs, high-speed internet, meeting rooms, relevant workshops and other office infrastructure required by such companies to grow and compete in the information technology sector. The Company is continuing to run and expand Cranium's clientele.

1.3 Selected Annual Information

N/A

1.4 Results of Operations

During the three-month period ended February 28, 2019, the Company recorded a net loss and comprehensive loss of $1,059,134 or $0.01 per share, as compared to a net loss and comprehensive loss of $3,919,360 or $0.04 per share for the three-month period ended February 28, 2018. Revenues increased from $107,148 for the three-month period ended February 28, 2018 to $164,827 during the current three-month period, an increase of $57,679. This increase is mainly due to the digital assets mined during December of $50,140 before the mining operations were suspended due to the decrease in the value of Bitcoin from US$7,497 at May 31, 2018 to US$3,855 at February 28, 2019, a decrease of 49%. Total expenses for the three-month period ended February 28, 2019 were $1,175,802 as compared to $4,026,508 for the comparable three-month period ended February 28, 2018. Significant changes in general and administrative expenses for the three-month period ended February 28, 2019 include the following:

a) Amortization of $39,067 was recorded during the three-month period ended February 28, 2019 as compared to $157,473 for the comparable three month period ended February 28, 2018. This decrease of $118,406 was due to depreciation of $127,199 for the 1,000 ASIC miners that were purchased during the quarter ended February 28, 2018. These miners had been fully impaired during the second quarter of 2019, therefore no amortization was recorded for the miners during the current three month period. This is a non-cash expense.
b) Office facilities and administration services increased from $47,909 for the three month period ended February 28, 2018 to $190,971 during the current three month period, an increase of $143,062. This increase was mainly due to the support and administration of the Company's potential change of business.
c) Professional fees decreased from $116,182 for the three month period ended February 28, 2018 to $26,681 for the three month period ended February 28, 2019, a decrease of $89,501. This decrease is due to the auditor review and legal fees associated with the Company's change of business as required

under the policies of the CSE in the quarter ended February 28, 2018.

d) Promotion and advertising decreased from $704,604 for the three month period ended February 28, 2018 to $181,177 for the current three month period, a decrease of $523,427. This decrease is due to the implementation of marketing and advertising initiatives due to the Company's entry into cryptocurrency mining business in comparable three month period ended February 28, 2018.

e) Stock-based compensation for the three month period ended February 28, 2019 was $96,637 as compared to $2,041,634 in the prior comparable period. A total of 375,000 stock options vested in the current three month period which were granted in order to entice and retain key personnel as compared to 6,125,000 options granted in the prior comparable period. This is a non-cash expense which is attributable to the number of incentive stock options granted and vested during the period and the assumptions used for the Black-Scholes pricing model.

f) Travel and entertainment for the three month period ended February 28, 2019 was $83,727 as compared to $374,054 for the three month period ended February 28, 2018, a decrease of $290,327. This decrease was attributable to the travel required to perform oversight of its digital currency mining facility and other potential acquisitions and the attendance of conferences in the prior comparable period.

During the nine month period ended February 28, 2019, the Company recorded a net loss and comprehensive loss of $9,570,041 or $0.08 per share, as compared to a net loss and comprehensive loss of $5,639,424 or $0.11 per share for the nine month period ended February 28, 2018. Revenues increased from $302,014 for the nine month period ended February 28, 2018 to $1,276,716 during the current nine month period, an increase of $974,702. This increase is significantly due to revenues derived from Bitcoin mining operations. Total expenses for the nine month period ended February 28, 2019 were $6,220,383 as compared to $5,941,438 for the nine month period ended February 28, 2018. Significant changes in general and administrative expenses for the nine month period ended February 28, 2019 include the following:

a) Amortization of intangible assets, equipment and leasehold improvements totaling $668,361 for the current nine month period as compared to $263,894 for the nine month period ended February 28, 2018. This increase of $404,467 was significantly due to the depreciation of the 1,000 ASIC miners. Amortization is a non-cash expense.

b) Consulting fees in the amount of $984,409 was recorded during the nine month period ended February 28, 2019 as compared to $530,423 during the nine month period ended February 28, 2018, an increase of $453,986. Consultants were engaged to assist with the operations of the Company's digital currency mining business and to assist with the Company's potential change of business (see Proposed Transactions – Section 1.10).

c) Interest and accretion in the amount of $120,068 was paid and/or accrued on the $1,023,000 convertible debenture during the nine month period ended February 28, 2018 as compared to $nil during the current nine month period. On October 31, 2017, the Company issued 4,217,647 shares at a deemed price of $0.25 per share to settle the aggregate principal amount of $1,023,000 plus accrued interest of $31,412 in full satisfaction of all the convertible debentures outstanding.

g) Office facilities and administrative services increased from $142,529 during the nine month period ended February 28, 2018 to $584,216 during the current nine month period ended February 28, 2019, an increase of $441,687, is mainly due to the expansion into the cryptocurrency mining services industry and to assist with the Company's potential change of business (see Proposed Transactions – Section 1.10).

d) Office and sundry costs increased from $78,694 for the nine month period ended February 28, 2018 to $197,866 for the current nine month period ended February 28, 2019, an increase of $119,172. This increase is due to the expansion into the cryptocurrency mining services industry and to assist with the Company's potential change of business (see Proposed Transactions – Section 1.10).

e) Property operating expenses increased from $174,978 for the nine month period ended February 28, 2018 to $581,962 for the nine month period ended February 28, 2019, an increase of $406,984. This increase in costs are associated with the utility expenditures relating to the Company's digital currency mining facilities in Grant County.

f) Professional fees incurred during the nine month period ended February 28, 2018 totaled $157,976 as compared to $287,409 for the current nine month period, an increase of $129,433. This increase was mainly due to the professional services required for the Company's potential change of business.
g) Promotion and advertising increased from $704,604 for the nine month period ended February 28, 2018 to $1,375,397 for the current nine month period. This increase is due to the implementation of marketing and advertising initiatives due to the Company's entry into cryptocurrency mining business and potential acquisition (see Proposed Transactions – Section 1.10).
h) Stock-based compensation for the nine month period ended February 28, 2018 was $3,264,541 as compared to $1,079,191 in the current nine month period. This is a non-cash expense which is attributable to the number of incentive stock options granted and vested during the period and the assumptions used for the Black-Scholes pricing model.
i) Transfer agent and shareholder information increased from $73,916 for the nine month period ended February 28, 2018 to $249,619 for the comparable current nine month period, an increase of $175,703. This increase is attributable to an increase in regulatory fees associated with the Company's fundamental change in business.
j) Travel and promotion for the nine months ended February 28, 2018 was $406,896 as compared to $210,539 for the current nine month period, a decrease of $196,357. This decrease was attributable to the travel required to perform oversight of its digital currency mining facility and other potential acquisitions and the attendance of conferences in the prior nine month period.

Overall, the Company's expenses increased as compared to the comparable prior nine month period, mainly due to the Company's entry into digital currency mining services industry and other costs typically associated with the operations of a crypto-currency mining business as well as expenses related to the proposed transaction with Isracann.

1.5 Summary of Quarterly Results

	Q3 Feb. 28, 2019 $	Q2 Nov. 30, 2018 $	Q1 Aug. 31, 2018 $	Q4 May 31, 2018 $	Q3 Feb. 28, 2018 $	Q2 Nov. 30, 2017 $	Q1 Aug. 31, 2017 $	Q4 May 31, 2017 $
Total revenues(2)	164,827	510,949	600,940	874,516	107,148	99,727	92,220	99,602
Operating expenses	120,775	243,886	217,301	360,727	103,605	35,733	35,640	37,248
Administrative expenses	919,323	1,874,343	1,096,834	896,085	1,723,796	393,172	118,138	83,623
Amortization	39,067	187,740	441,554	320,525	157,473	30,274	76,147	130,560
Stock-based compensation	96,637	151,700	830,854	(164,123)	2,041,634	1,451,895	-	-
Net loss before other items	1,010,975	1,946,720	1,985,603	538,698	3,919,360	1,811,347	137,705	151,829
Basic loss per share (1)	0.01	0.03	0.05	0.03	0.04	0.05	0.01	0.01

(1) Loss per share on a diluted basis is not disclosed as it is anti-dilutive due to losses incurred.
(2) During the third quarter of fiscal year 2019, the Company suspended its bitcoin mining operation due to adverse market conditions, increase in bitcoin network mining difficulty and decrease in the price of bitcoin. During the first quarter of fiscal year 2019, the Company recorded $487,339 and during the fourth quarter of fiscal year 2018, the Company recorded $742,519 in digital asset mining revenue, respectively.

1.6 Liquidity and Capital Resources

At February 28, 2019, the Company had working capital of $4,224,685 (excluding restricted cash of $5,847,846) (May 31, 2018 – $8,469,525). Cash held at February 28, 2019 was $3,388,908 compared with $7,977,883 at May 31, 2018.

As at February 28, 2019, the Company has the following financial obligations:

	< 1 year	1 – 3 years	Total
	$	$	$
Accounts payable and accrued liabilities	865,293	-	865,293

As at February 28, 2019, the Company's subsidiary Atlas Cloud Enterprises (2013) Ltd is committed to a ten-year operating lease with an annual commitment of $123,840 until November 2024.

The Company has limited sources of operating income at present. The Company's ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or obtain alternative financing, in which it has been successful in the past.

In addition, if the Company is to begin construction of cultivating facilities (see Proposed Transaction), it may be necessary to obtain additional financing.

On January 14, 2019, the Company closed the first tranche of the non-brokered offering consisting of 3,058,823 units at $0.17 per subscription receipt for a total amount of $5,200,000. At February 28, 2019, the Company also received $647,846 in subscription receipts towards the second tranche of the non-brokered offering of subscription receipts. The funds for subscriptions received will be held in escrow until escrow release conditions are satisfied.

The financial statements are prepared on the basis of a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. If the Company was unable to continue as a going concern, there would be changes in the carrying amounts of assets and liabilities and the statement of financial position classifications used.

The Company is not subject to any externally imposed capital requirements.

1.7 Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.8 Transactions between Related Parties

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

a) Key management compensation

	THREE MONTH PERIOD ENDED FEBRUARY 28,		NINE MONTH PERIOD ENDED FEBRUARY 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Management/Consulting and short-term benefits	**240,995**	129,888	**484,337**	166,654
Share-based payments	**86,430**	1,209,900	**869,177**	2,547,840

b) Prepaid expenses - As of February 28, 2019, a company with a director in common was paid $5,250 (May 31, 2018 - $5,250) in advance for management fees.

c) Accounts payable - As of February 28, 2019, directors and companies with directors in common were owed $3,228 (May 31, 2018 - $145,129).

d) Office facilities and administrative services – As of February 28, 2019, the Company incurred $32,000 (February 28, 2018 – $27,000) in office facilities and administrative services expenditures related to Fred Stearman, a director of the Company and a close family member.

e) Property operating expenses – As of February 28, 2019, the Company incurred $27,000 (February 28, 2018 – $27,000) in property operating expenses related to Fred Stearman, a director of the Company**.**

1.9 Third Quarter

Third quarter financial results differ significantly from prior periods due to the following:

- the Company suspended its Bitcoin mining operation due to adverse market conditions, increase in bitcoin network mining difficulty and decrease in the price of bitcoin.

Overall, third quarter net loss and comprehensive loss increased significantly due to the devaluation of Bitcoin and the increased expenditures required to operate in the cryptocurrency mining services industry and expenditures required for the Company's potential change of business.

1.10 Proposed Transactions

The Company announced on March 18, 2019 and further to its news releases on October 11, 2018, November 16, 2018 and January 14, 2019, the Company has entered into a definitive share exchange agreement dated March 12, 2019 pursuant to which the Company has agreed to acquire all of the issued and outstanding common shares in the capital of Isracann Biosciences Inc., a private British Columbia company, from the shareholders of Isracann "subject to the conditions set out in the Share Exchange Agreement. The Isracann Shareholders are expected to receive approximately 47,180,000 post-Consolidation common shares in the capital of the Company (the "Atlas Shares") at a deemed price of $0.50 per Atlas Share on a pro-rata basis. Subject to the fulfillment of the conditions precedent set out in the Share Exchange Agreement, including receipt of the approval the applicable stock exchange and shareholders of the Company, the Transaction is expected to close in late June 2019, or such date as the Company and Isracann may agree. Upon successful completion of the Transaction, the Company will continue the business of Isracann.

Isracann is operationally located in Israel, which aims to embark on an industrial-scale cannabis farming enterprise targeting both domestic and international commercial opportunities.

On March 6, 2019, Atlas entered into a bridge loan agreement with Isracann in the aggregate principal amount of $200,000. The bridge loan is secured by a promissory note. In the event closing of the Transaction occurs on or before December 31, 2019, the bridge loan will bear no interest and be forgiven upon closing. In the event closing does not occur on or before December 31, 2019, the bridge loan will become immediately due on demand, and will bear interest at a rate of 2% per annum.

Completion of the Transaction is subject to a number of conditions, including but not limited to, shareholder approval and approval of the Canadian Securities Exchange as required.

1.11 Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Information about critical accounting judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

(i) Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions.

(ii) Income taxes

Uncertainties exist with respect to the interpretation of evolving tax regulations relating to digital assets, changes in tax laws, and the amount and timing of future taxable income. The Company has not recognized the value of any deferred tax assets in its statements of financial position.

The Company recognizes the tax benefit from an uncertain tax position only if it is probable that the tax position will be sustained based on its technical merits. The Company measures and record the tax benefits from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company's estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute of limitations for examination expires or when additional information becomes available. The Company's liability for unrecognized tax benefits requires the use of assumptions and significant judgment to estimate the exposures associated with our various filing positions. Although the Company believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect our effective income tax rate and income tax provision.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

There is uncertainty regarding the taxation of cryptocurrency and the IRS may assess the Company differently from the position adopted. In addition, there is uncertainty with regards to sales tax implications of cryptocurrency transactions.

(iii) Fair value measurement of broker warrants

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for broker warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the broker warrants, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for broker warrants are disclosed in Note 9 of the Company's May 31, 2018 annual audited consolidated financial statements.

(iv) Accounting for Digital Assets

At present, there is limited guidance in IFRS on the recognition and measurement of Digital Assets. Noted below are the key policies used to account for these assets.

(v) Fair value of Digital Assets

Digital Assets are measured at fair value using the quoted price on www.coinmarketcap.com ("Coin Market Cap"). Management considers this fair value to be a Level 2 input under IFRS 13 *Fair Value Measurement* fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges. The Digital Assets are valued based on the closing price obtained from www.coinmarketcap.com at the reporting period corresponding to the different Digital Assets mined by the Company. The Company is relying on the data available at www.coinmarketcap.com to be an accurate representation of the closing price for the different Digital Assets.

(vi) Useful life of mining equipment

Management is amortizing mining equipment over two years on a straight-line basis. The mining equipment is used to generate digital assets. The rate at which the Company generates digital currencies and, therefore, consumes the economic benefits of its mining equipment are influenced by a number of factors including the following:

- the complexity of the mining process which is driven by the algorithms contained within the digital assets open source software;
- the general availability of appropriate computer processing capacity on a global basis technological obsolescence reflecting rapid development in the mining machines such that more recently developed hardware is more economically efficient to run in terms of digital assets mined as a function of operating costs, primarily power costs (i.e., the speed of mining machines evolution in the industry) is such that later mining machines models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase.
- Based on the Company's, and the industry's short life cycle to date, management is limited by the market data available. Furthermore, the data available also includes data derived from the use of economic

modelling to forecast future digital assets and the assumptions included in such forecasts, including digital currencies' (such as Bitcoin and Ethereum) price and network difficulty, are derived from management's assumptions which are inherently judgmental. Based on current data available management has determined that the straight-line method of amortization over two years best reflects the current expected useful life of mining equipment. Management will review this estimate at each reporting date and will revise such estimates as and when data becomes available. The mining equipment has been assumed to have no residual value at the end of its useful life. Management will review the appropriateness of its assumption of nil residual value at each reporting date.

- As set out in Note 3 in the condensed interim consolidated financial statements, management also assesses whether there are any indicators of impairment of mining equipment at the end of each reporting period and if any such indication exists, the Company will estimate the recoverable amount of its mining equipment.

1.12 <u>Changes in Accounting Policies including Initial Adoption</u>

The International Accounting Standards Board has issued some new standards and amendments that will be effective in the coming years. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The impact on the Company is currently being assessed.

(i) IFRS 7 Financial instruments: Disclosure

IFRS 7 Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

(ii) IFRS 9, Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. The adoption of IFRS 9 had no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts based on allocation from original measurement categories under IAS 39 Financial Instruments: Recognition and Measurement to the new categories under IFRS 9.

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Summary of the Company's classification and measurements of financial assets and liabilities

	IFRS 9		IAS 39	
	Classification	**Measurement**	**Classification**	**Measurement**
Cash	FVTPL	Fair value	Loans and receivables	Fair Value
Accounts Receivable	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	Other liabilities	Amortized cost

(iii) IFRS 15 Revenue from contracts with customers

The Company currently has three revenue streams: rental revenue, co-location services as well as digital assets mined.

Rental revenue from software manufacturing facility rental, co-location and from cloud services provided is recognized when a tenant commences occupancy pursuant to the terms of each contract and rent is due or rights to receive consideration are obtained and collection of consideration is reasonably assured. Revenue received in advance of these criteria is deferred until future periods.

The Company also derives its revenue from digital assets received for providing "mining" services to various blockchains. Mining is the process by which transactions are verified and added to the blockchain. A miner is only able to validate transactions once their computer equipment has solved a computationally difficult puzzle.

The Company has adopted IFRS 15 with an initial application date of June 1, 2017. The updated accounting policies, the impact on the condensed interim consolidated financial statements and additional disclosures are detailed as follows:

Revenue is recognized according to the five-step model in IFRS 15, Revenue from contracts with customers. The Company recognizes revenue from software manufacturing facility rental, co-location and from cloud services when corresponding services (as determined in the contracts entered into) are provided to the customers over the contract terms.

Digital asset mining is the ordinary business activity of the Company, and the consideration received meets the definition of revenue as income arising in the course of the Company's ordinary activities. The Company has determined that the substance of its digital assets mining activities is a service provision under the scope of IFRS 15 notwithstanding the lack of a formal contractual arrangement under which it provides such services as the services are provided through the blockchain protocol. Also, there is no collaboration arrangement within the blockchain, and the Company's rights and obligations are implied by the customary business practices prevalent within the industry.

Contract liabilities are recorded when cash payments are received or due in advance of the Company's performance.

Revenue is recognized by the Company when payment, in the form of digital asset, is received for mining services rendered. Revenue earned from digital asset mining activities is recognized at the fair value of the digital asset received as consideration on the date of actual receipt. Fair value is measured using the closing price on Coin Market Cap on the date of receipt. Revenue is recognized daily at the United States dollar value for the digital currencies mined.

Costs of fulfilling and revenue associated with the Company's performance obligations are incurred simultaneously. The Company has not deferred any expenditures with regards to fulfilling its contracts.
(iv) IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated interpretative guidance, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. A lessee can choose to apply IFRS 16 using either a full retrospective approach or a modified retrospective approach. The Company plans to apply IFRS 16 at the date it becomes effective and has not yet selected a transition approach.

The Company is in the process of identifying and collecting data relating to existing agreements that may contain right-of-use assets. At this time it is not possible for the Company to make reasonable quantitative estimates of the effects of the new standard, and is currently evaluating its expected impact on the consolidated financial statements.

1.13 Financial Instruments and Risk Management

(a) Categories of Financial Instruments

	Book value	Fair Value
February 28, 2019	**$**	**$**
Cash	**3,388,908**	**3,388,908**
Cash - restricted	**5,847,846**	**5,847,846**
Accounts receivable	**143,823**	**143,823**
Accounts payable	**109,996**	**109,996**
May 31, 2018	$	$
Cash	7,977,883	7,977,883
Accounts receivable	96,700	96,700
Accounts payable	265,941	265,941

The fair value of the Company's cash, restricted cash, accounts receivable, and accounts payable approximates their carrying value as at February 28, 2019 because of the demand nature or short-term maturity of these instruments.

Financial instruments that are measured at fair value on a recurring basis are classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable
- Level 3: Inputs that are not based on observable market data

The Company’s only financial instrument measured at fair value on a recurring basis is cash which is classified as level one.

(b) Financial risk management objectives and policies

The risks associated with the Company’s financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) 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. The Company's credit risk is primarily attributable to its cash and accounts receivable. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for accounts receivables. The management measures the expected credit loss based upon historic default rate of customers and estimates the credit loss over the expected life of accounts receivables. As at February 28, 2019, the impairment allowance relating to trade and other receivables was $nil.

ii) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash flows in the future will fluctuate because of changes in market rates. If the interest rates had fluctuated by 3% with other variables held constant the impact on comprehensive loss would be insignificant because interest earned on cash and cash equivalents is not significant and the note payable is largely due in the short-term. The interest rate risks on cash and cash equivalents and on the Company’s obligations are not considered significant.

iii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company seeks to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash.

1.14 Other MD&A Requirements

Disclosure of Outstanding Share Capital

Authorized: Unlimited common shares without par value

	SHARE CAPITAL	
	NUMBER	AMOUNT
Balance, May 31, 2017	**16,908,833**	**$ 1,955,868**
Issued for cash		
Non-brokered private placement	39,999,978	8,480,688
Special warrant financing	49,999,997	1,657,611
Stock options exercised	550,000	210,943
Warrants exercised	2,866,667	306,298
Broker warrants exercised	401,800	97,170
Share issue costs	-	(2,001,959)
Convertible debentures exercised	4,217,648	1,054,411
Stock options cancelled	-	58,155
Balance, May 31, 2018 and February 28, 2019	**114,944,923**	$ **11,819,185**

During the nine months ended February 28, 2019, the Company issued no shares. The following share subscriptions were received:

On January 14, 2019, the Company received subscription receipts for the first tranche of the non-brokered offering consisting of 3,058,823 units at $0.17 per subscription receipt for a total amount of $5,200,000. Each subscription receipt entitles the holder to receive, upon satisfaction of certain escrow release conditions, and without payment of additional consideration, one unit in the capital of the Company. Each unit will be comprised of one common share of the Company and one purchase warrant. Each warrant will entitle the holder thereof to acquire one common share of the Company at $0.34 for two years following the date of issuance. At February 28, 2019, the Company also received $647,846 in subscription receipts towards the second tranche of the non-brokered offering of subscription receipts. The subscriptions received will be held in escrow until escrow release conditions are satisfied.

Share Purchase Warrants

The continuity of warrants for the nine month period ended February 28, 2019 and the year ended May 31, 2018 is summarized below:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, May 31, 2017	2,477,050	$0.23
Expired	(2,075,250)	0.25
Issued	91,940,357	0.39
Exercised	(3,268,467)	0.04
Balance, May 31, 2018	89,073,690	0.40
Cancelled	(14,285)	0.75
Balance, February 28, 2019	**89,059,405**	**0.40**

The following table summarizes the warrants outstanding and exercisable at February 28, 2019:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
41,506,933	$0.75	December 13, 2019
419,142	$0.75	December 15, 2019
47,133,330	$0.08	March 1, 2020
89,059,405		

As at February 28, 2019, the weighted average remaining contractual life of all warrants outstanding was 0.90 years (May 31, 2018 – 1.65 years).

Stock Options

The continuity of stock options for the period ended February 28, 2019 and year ended May 31, 2018 is summarized below:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, May 31, 2017	1,100,000	$0.25
Exercised	(550,000)	0.25
Forfeited	(150,000)	0.25
Granted	4,175,000	1.00
Balance, May 31, 2018	4,575,000	0.94
Forfeited	(1,500,000)	1.00
Granted	6,250,000	0.40
Cancelled	(2,675,000)	1.00
Balance, February 28, 2019	**6,525,000**	**0.41**

The following table summarizes the stock options outstanding and exercisable at February 28, 2019:

NUMBER OF OPTIONS		EXERCISE PRICE	EXPIRY DATE
OUTSTANDING	EXERCISABLE		
400,000	400,000	$0.25	September 5, 2024
6,125,000	4,100,000	$0.40	June 21, 2023
6,525,000	**4,500,000**		

As at February 28, 2019, the weighted average remaining contractual life of all options outstanding was 4.39 years (May 31, 2018 – 4.68 years).

There were no stock options issued from February 28, 2019 to the date of this report.

Internal Controls Over Financial Reporting

Management is responsible for the design and operating effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed and were operating effectively as at February 28, 2019.

Disclosure Controls

Management is also responsible for the design and operation of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the design and effectiveness of the Company's disclosure controls and procedures as of November 30, 2018 and have concluded that these controls and procedures are effective.

Subsequent Events

- The Company announced on March 18, 2019 and further to its news releases on October 11, 2018, November 16, 2018 and January 14, 2019, the Company has entered into a definitive share exchange agreement dated March 12, 2019., pursuant to which the Company has agreed to acquire all of the issued and outstanding common shares in the capital of Isracann Biosciences Inc., a private British Columbia company, from the shareholders of Isracann , subject to the conditions set out in the Share Exchange Agreement. The Isracann Shareholders are expected to receive approximately 47,180,000 post-Consolidation common shares in the capital of the Company at a deemed price of $0.50 per Atlas Share on a pro-rata basis. Subject to the fulfillment of the conditions precedent set out in the Share Exchange Agreement, including receipt of the approval the applicable stock exchange and shareholders of the Company, the Transaction is expected to close in late June 2019, or such date as the Company and Isracann may agree. Upon successful completion of the Transaction, the Company will continue the business of Isracann.

- On March 6, 2019, Atlas entered into a bridge loan agreement with Isracann in the aggregate principal amount of $200,000. The bridge loan is secured by a promissory note. In the event closing of the Transaction occurs on or before December 31, 2019, the bridge loan will bear no interest and be forgiven upon closing. In the event closing does not occur on or before December 31, 2019, the bridge loan will become immediately due on demand, and will bear interest at a rate of 2% per annum.

- In consideration of the level of service Invictus has provided with respect to the subscription receipt financing and the Transaction, the Company has agreed to increase Invictus's compensation from $6,000 per month to $11,000 per month effective March 1, 2019.

- On April 2, 2019, the Company announced it had changed auditors from MNP LLP to Manning Elliot LLP effective April 1, 2019 until the next Annual General Meeting. There were no reservations from the former auditor's reports or reportable events as defined in NI 51-102 between the former auditor and the Company.

Directors and Officers

The Directors and Officers of the Company are:

Charlie Kiser, President and CEO
Fred Stearman, COO and Director
Yana Popova, CFO and Director
Dr. John Veltheer, Director
Sean Bromley, Director

Conflicts of Interest

Certain officers and directors of the Company are officers and/or directors of, or are associated with other venture companies. Such associations may give rise to conflicts of interest. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

Outlook

Due to the uncertainty of the bitcoin mining market and in efforts to increase shareholder value, Atlas Blockchain Group Inc. has entered into a Share Exchange Agreement dated March 12, 2019, between the company and Isracann Biosciences Inc., a private B.C. company (please refer to Proposed Transactions).

Risks and Uncertainties

The Company's principal activity is the provision of data hosting services. Atlas is a start-up company and, in addition to facing all of the competitive risks in the data hosting sector, will face all the risks inherent in starting up a business and offering a service for the first time including: access to capital, ability to attract and retain qualified employees, ability to attract initial and ongoing customers and the ability to put in place appropriate operating and control procedures.

Industry specific risks include, but are not limited to:

- *Competitive risk* – larger competitors such as Telus and Bell are market leaders in the data hosting space. A number of smaller local organizations also compete with the small independent providers such as Atlas. Additionally, unforeseen competition could have a significant adverse effect on the growth potential of the Company;
- *Technology risk* – over the past three years, the Company completed the build-out of a modern data centre based on mainstream power and cooling technologies. The mechanical components have an estimated lifespan of 10 years; however, technological changes and hardware innovations may result

in a paradigm shift away from this more traditional business model of refrigerated cooling and lead acid batteries connected to a diesel back-up generator. This could result in a change in the Company's business model, requiring reinvestment in new technology earlier than anticipated.

- *Environment risk:* – earthquakes, flooding, ice storms, gas leaks and other natural and man-made disasters are all factors that may impede the Company's business. While these factors have all been considered in the Company's planning process, they may still have adverse material consequences to the Company and its business.
- *Start-up business risk*: – The Company continues to develop its business and recruiting initial clients and it is therefore uncertain whether the Company can get to the stage of being a stable operating business with its existing financial resources. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objectives**.**
- *Cloud Computing risks includes:*
  - (i) business continuance – as the Company's business is dependent on internet access, the loss of internet connectivity would have serious adverse effects.
  - (ii) data security – risk of data breach, the interception and capture of data, is mitigated by the Company's use of redundant firewalls, gateway antivirus and third party security providers; however, there is no guarantee against security breaches from unknown or internal causes. Failure to properly address such security breaches could adversely affect the Company's business.
  - (iii) regulatory complications – the Cloud industry is self-regulating, but certain customers must adhere to privacy laws, Patriot Act and acceptable internet use policy. Future privacy and security legislation, or change to existing regulation, may potentially impact the Company financially and operationally.

The following risks and uncertainties associated with the Company's entry into the digital currency mining services industry are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks actually occur, the Company's business, financial condition or results of operations could be materially adversely the result that the trading price of the Common Shares could decline and investors could lose all or part of their investment.

Acceptance and/or widespread use of cryptocurrency is uncertain

Currently, there is relatively small use of digital currencies in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect the Company's operations, investment strategies, and profitability.

As relatively new products and technologies, digital currencies have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of digital currency demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of cryptocurrencies.

The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, either of which could adversely impact the Company's operations, investment strategies and profitability.

The value of digital currencies may be subject to momentum pricing risk

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Digital currency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of digital currencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of the Company's inventory and thereby affect the Company's shareholders.

The Company may be required to sell its cryptocurrency to pay for expenses

The Company may sell its digital currencies to pay for expenses incurred, irrespective of then-current digital currency prices. Consequently, the Company's digital currencies may be sold at a time when the price is low, resulting in a negative effect on the Company's profitability.

The Company's cryptocurrencies may be subject to loss, theft or restriction on access

There is a risk that some or all of the Company's digital currencies could be lost or stolen. Access to the Company's digital currencies could also be restricted by cybercrime (such as a denial of service attack) against a service at which the Company maintains a hosted online wallet. Any of these events may adversely affect the operations of the Company and, consequently, its investments and profitability.

If the award of cryptocurrencies for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations

As the amount of digital currency awarded for solving a block in the blockchain decrease, the incentive for miners to continue to contribute processing power to the network will transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recoding transactions in the blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for digital currencies and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of digital currencies that could adversely impact the Company's investments.

In order to incentivize miners to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record on the blocks they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the blockchain become too high, the marketplace may be reluctant to accept network as a means of payment and existing users may be the motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for digital currencies may adversely affect their value and result in a reduction in the market price of coins.

If the award of digital currencies for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the blockchain, potentially permitting such actor or botnet to manipulate the blockchain in a manner that adversely affects the Company's mining activities. If the award of digital currencies for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. Miners ceasing operations would reduce collective processing power, which would adversely affect the confirmation process for transactions and make the network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Company's mining activities and inventory of digital currencies.

Risk related to technological obsolescence and difficulty in obtaining hardware

To remain competitive, the Company will continue to invest in hardware and equipment required for maintaining the Company's mining activities. Should competitors introduce new services/software embodying new technologies, the Company recognizes its hardware and equipment and its underlying technology may become obsolete and require substantial capital to replace such equipment.

The increase in interest and demand for cryptocurrencies has led to a shortage of mining hardware as individuals purchase equipment for mining at home.

Equipment will require replacement from time to time. Should the company engage in mining additional digital assets that require the use of graphics processing units, shortages of graphics processing units may lead to unnecessary downtime as the Company searches for replacement equipment.

Uninsured or Uninsurable Risks

The Company intends to insure its operations in accordance with technology industry practice. However, given the novelty of cryptocurrency mining and associated businesses, such insurance may not be available, uneconomical for the Company, or the nature or level may be insufficient to provide adequate insurance cover. The Company may become subject to liability for hazards against which the Company cannot insure or against which the Company may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce or eliminate the funds available for operations. Payments of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position.

OTHER INFORMATION

Other information relating to the Company may be found on the Company's website located at www.atlasblockchaingroup.com, the SEDAR website located at www.sedar.com and the CSE website located at thecse.com.

BY ORDER OF THE BOARD

Atlas Blockchain Group Inc.

"*Frederick W. Stearman***"**

COO and Director
April 15, 2019