ATLAS BLOCKCHAIN GROUP INC.

(formerly Atlas Cloud Enterprises Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

For The Year Ended May 31, 2018

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 consolidated financial results for the year ended May 31, 2018 and should be read in conjunction with the accompanying audited consolidated financial statements and related notes for the year ended May 31, 2018.

1.1 Date of Report

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 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 September 27, 2018.

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 and business expansion into cryptocurrency mining services;
- 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 audited consolidated financial statements, are the responsibility of management. In the preparation of these audited 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 audited 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 at that time was 1900, 520 – 3rd Avenue S.W., Calgary, AB T2P 0R3.

On July 24, 2018, the Company announced that it effected its continuation into the province of British Columbia on July 18, 2018 and effected a change of name to "Atlas Blockchain Group Inc.", effective July 27, 2018. The Company's CSE ticker symbol did not change and remains "AKE". The new registered and records office is 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, BC V6E 4N7.

The Company's 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. 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 startup companies in Vancouver, British Columbia.

Cryptocurrency Mining Services

On November 15, 2017, the Company announced its interest to expand its business to provide 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. The Facility is currently being converted into a dedicated bitcoin mining facility.

During the year ended May 31, 2018, the Company legally acquired all the issued and outstanding shares of MKH Electric City Holdings, LLC for USD$300,000, and to date the Company has advanced over USD$2.0 million towards facility infrastructure costs and related expenses to retrofit the existing warehouse into a data centre.

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 this 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 next 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 is currently undergoing renovations to become a dedicated five-megawatt (5.0 MW) cryptocurrency mining operation. Renovations at the GCDC are currently nearing completion and the Company is fully funded to complete its refit. Major distribution components have been sourced, and the utility company will provide a transformer suited to the proposed needs of the GCDC. 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 expect to be informed of our scheduled date as early as October 2018.

Upon completion of the facility upgrade, the GCDC is expected to commence operations utilizing 80% of the currently dedicated 3.0 MW of available power with a potential to host up to 1,700 ASIC S9 Antminer machines. A second phase infrastructure upgrade (an additional 2.0 MW) is planned for completion in 2019.

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 installation of the previously announced USD$2.38 million order of 1,000 ASIC S9 miners. As at the date of this report, these miners are operational and have a computing capacity of 13.5 Petahashes per second (PH/s) with a mining capacity of approximately 0.58 BTC/per day, based on current parameters.

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 now 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.

Fiscal 2018 Summary:

- For the year ended May 31, 2018, the Company recorded a net loss and comprehensive loss of $7,369,161 or $0.11 loss per share compared to a net loss and comprehensive loss of $668,239 or $0.04 loss per share for the year ended May 31, 2017.
- For the year ended May 31, 2018, the Company recorded total revenues of $1,105,895 compared to $321,645 for the year ended May 31, 2017, an increase of $784,250.
- As at May 31, 2018, the Company had total assets of $14,556,977 (May 31, 2017 - $1,007,842) and working capital of $8,469,525 (May 31, 2017 - $225,483).
- On October 30, 2017, the Company issued 49,999,997 Special Warrants at $0.06 per Special Warrant, for proceeds of $3,000,000. Each Special Warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one Unit on the earlier of: (i) four months and a day after closing; and (ii) the day a receipt is issued by the applicable securities commissions for a final prospectus which qualifies the issuance of the Units. Each Unit consists of one common share and one common share purchase warrant, exercisable at $0.08 per share for 24 months. As at May 31, 2018, the Company has received the proceeds and spent the net proceeds from the Offering to purchase 1000 Antminer S9s from Bitmain Technologies Ltd. ("Bitmain") which are being utilized for mining Bitcoins under a co-located hosting arrangement.
- On October 31, 2017, the Company issued 4,217,648 shares at a deemed price of $0.25 per share to upon conversion of an aggregate principal amount of $1,023,000 plus accrued interest of all the Company's convertible debentures outstanding.
- On December 13, 2017, the Company closed an initial tranche of a non-brokered private placement offering of 39,580,836 units (the "**Units**") at a price of $0.35 per Unit for gross proceeds of approximately $13,853,292 (the "**Offering**"). Each Unit consists of one common share

in the capital of the Company (a "**Share**") and one common share purchase warrant (a "**Warrant**"). Each Warrant entitles the holder thereof to acquire one additional Share at a price of $0.75 per Share until December 13, 2019. The warrants were valued at $5,519,304 using the Black Scholes option pricing model. The Company has paid eligible finders a cash commission in the aggregate of $679,397 on the Offering within the amount permitted by the policies of the Canadian Securities Exchange (the "**Exchange**" or "**CSE**"). In addition, 1,940,382 non-transferable broker's warrants were issued to eligible finders to purchase an aggregate of 1,940,382 Shares at a price of $0.75 per share until December 13, 2019. The broker warrants were value at $1,250,913 using the Black-Sholes option pricing model. The Company has also granted 1,475,000 incentive stock options with an exercise price of $1.00 for a five-year term, vesting immediately, fair valued at $1,190,605.

- On December 15, 2017, the Company announced that it closed the final tranche of a non-brokered private placement offering of 419,142 units at a price of $0.35 per Unit for gross proceeds of approximately $146,700. Each Unit consists of one common share in the capital of the Company and one transferable common share purchase warrant. Each Warrant entitles the holder thereof to acquire one additional Share at a price of $0.75 per Share until December 15, 2019. The warrants were valued at $57,629 using the Black-Scholes option pricing model. No finder's fees were paid in connection to the Offering with this tranche.
- On December 19, 2017, the Company granted 500,000 incentive stock options with an exercise price of $1.00, for a 5-year term, vesting immediately, fair valued at $407,592.
- On January 2, 2018, the Company announced that the CSE determined that the acquisition of the New Facility would be considered a fundamental change pursuant to Policy 8 (Fundamental Changes). The change of business required approval of the Exchange and approval of the Company's security holders. Both approvals were achieved after May 31, 2018.
- On January 3, 2018, the Company announced the appointment of Mr. Daniel Sorger as Vice President of Corporate Finance. The Company granted Mr. Sorger the right and option to purchase from the Company 150,000 common shares of the Company at an exercise price of $1.06 per share, expiring five years from the date of issuance, vesting immediately, fair valued at $124,693.
- On January 17, 2018, the Company announced the appointment of Mr. Matthew McKibbin as Chief Blockchain Officer and Mr. Timothy Lewis to the position of Chief Technology Officer. The Company granted 250,000 incentive stock options to Mr. Lewis with an exercise price of $1.01, exercisable for a five-year term, vesting immediately, fair valued at $204,250.
- On January 24, 2018, the Company announced the milestone acquisition of 1,000 Application Specific Integrated Circuit (ASIC) mining servers slated for immediate mining deployment. The total purchase price was US$2,380,000 which was paid in full prior to delivery.
- On February 7, 2018, the Company advised that pursuant to a CSE bulletin dated February 5, 2018, the Company has been halted from trading pending completion of the Fundamental Change as deemed by the Exchange as announced on January 2, 2018. As a result, the Company required approval of the Exchange and approval of the Company's security holders.
- On March 6, 2018, the Company announced the special warrants of the Company issued on October 30, 2017 were deemed to be exercised on March 1, 2018 and an aggregate of 49,999,997 common shares of the Company (the "**Common Shares**") and 49,999,997 Common Share purchase warrants (the "**Warrants**") have been issued by the Company. Each Warrant entitles the holder thereof to acquire one Common Share at $0.08 per Common share until October 30, 2019.
- On March 15, 2018, the Company announced the contractual closing of previously announced transaction to purchase 100% of the shares of MKH Electric City Holdings LLC, a Washington State company. The transaction includes a 6,600-sq. ft. facility ("The Grant County Data Centre") which is currently being retrofitted into a cryptocurrency mining data center.
- On April 10, 2018, the Company announced that at the co-located partner operation, the previously announced $2.38 million USD order of ASIC S9 miners are operational and have a computing

capacity of 13.5 Petahashes per second (PH/s) with a mining capacity of approximately 1.01 BTC/per day, based on current parameters.

- On April 18, 2018, the Company appointed Mr. Charlie Kiser to the position of President and Chief Executive Officer. Concurrently, Fred Stearman moved to the role of Chief Operating Officer.

Subsequent to May 31, 2018, the Company:

- On June 14, 2018, the Company received conditional approval regarding its proposed change of business as previously announced January 2, 2018. Final approval by the Canadian Securities Exchange to the proposed change of business was subject to the completion of any and all outstanding CSE application documentation and payment of fees pursuant to the policies of the exchange, all of which have been satisfied as of the date of this report. The Company also announced the resignations of Matthew McKibbin, Chief Blockchain Officer, and Timothy Lewis, Chief Technology Officer, effective immediately.
- On June 19, 2018, the Company announced that it has received shareholder approval and subsequent authorization from the Canadian Securities Exchange allowing its change of business and resumption of trading effective June 19, 2018. The Company also announced that it's five-megawatt (5.0 MW) Grant County Data Centre has completed build-out and component renovations into a dedicated Bitcoin mining enterprise location.
- On June 22, 2018, the Company granted 6,125,000 incentive stock options under the Company's stock option plan to certain officers, directors, and consultants effective June 21, 2018. The Options are exercisable at a price of $0.40 for a period of 5 years from the date of grant.
- On July 24, 2018, the Company announced that it effected its continuation into the province of British Columbia on July 18, 2018 and will now effect a change of name to "Atlas Blockchain Group Inc." effective July 27, 2018. The Company's Canadian Securities Exchange ticker symbol did not change.
- On September 7, 2018, the Company made the following statements regarding recent market activity concerning its common shares traded on the OTCQB marketplace. The Company only became aware of certain promotional activity on its securities on September 5, 2018 when it received correspondence from OTC Markets. The Company believes that the promotion may have had some impact on market activity, but certain macro events including the significant increase in the price of bitcoin may have also contributed to the recent stock increase and trading activity. To the Company's knowledge, neither the Company, its officers, directors, any controlling shareholders, or any third-party service providers have, directly, or indirectly, authorized or been involved in any way (including payment to a third party) with the creation or distribution of promotional materials that make any exaggerated or misleading claims about the Company or its securities.

1.3 Selected Annual Information

Fiscal year ended	**May 31, 2018 ($)**	May 31, 2017 ($)	May 31, 2016 ($)
Bitcoin mined	**742,519**	-	-
Co-location and cloud services revenue	**207,451**	175,578	45,527
Software manufacturing rental facility revenue	**186,096**	145,822	140,886
Property operating expenses	**535,705**	156,272	147,418
Administrative and other expenses	**3,131,191**	478,866	273,270
Amortization	**584,419**	386,626	252,891
Stock-based compensation	**3,329,406**	-	-
Loss before other items and income taxes	**6,474,826**	707,891	487,166
Basic and diluted loss per share	**0.11**	0.04	0.03
Net loss and comprehensive loss	**7,369,161**	668,239	487,166
Total assets	**14,556,977**	1,007,842	1,047,794
Long term financial liabilities	**-**	828,800	Nil
Cash dividends declared	**N/A**	N/A	N/A

1.4 Results of Operations

During the year ended May 31, 2018, the Company recorded a net loss and comprehensive loss of $7,369,161 or $0.11 per share, as compared to a net loss and comprehensive loss of $668,239 or $0.04 per share for the year ended May 31, 2017. Revenues increased from $321,645 for the year ended May 31, 2017 to $1,105,895 during the current year, an increase of $784,250. This increase is significantly due to the Company's entry into the cryptocurrency mining business which generated $742,519 in revenues for the three months it was operating. Total expenses for the year ended May 31, 2018 were $7,580,721 as compared to $1,029,536 for the year ended May 31, 2017. Significant changes in general and administrative expenses for the year ended May 31, 2018 include the following:

a) Amortization of $584,419 was recorded during the year ended May 31, 2018 as compared to $386,626 for the year ended May 31, 2017. This increase of $197,793 due to the depreciation of the 1,000 ASIC miners that were used to generate bitcoin revenues for the three months they were operating during the fiscal year ended May 31, 2018. This is a non-cash expense.
b) Consulting fees in the amount of $758,558 was recorded during the year ended May 31, 2018 as compared to $nil during the year ended May 31, 2017. Technical consultants were engaged to assist with the identification, due diligence, negotiations and closing of the Company's entry into the digital currency mining services industry. They were also used to advance the Company's new GCDC cryptocurrency mining facility in order to become operational.
c) Interest and accretion in the amount of $120,068 was recorded on the $1,023,000 convertible debenture during the year ended May 31, 2018 as compared to $149,912 during the year ended May 31, 2017. On October 31, 2017, the Company issued 4,217,648 shares at a deemed price of $0.25 per share to settle the aggregate principal amount of $1,023,000 plus accrued interest.
d) Office facilities and administration services increased from $206,352 for the year ended May 31, 2017 to $374,665 during the current year, an increase of $168,313. This increase was mainly due to the expansion into the cryptocurrency mining services industry and the administrative infrastructure required to operate this segment.
e) Office and sundry expenses increased from $21,523 for the year ended May 31, 2017 to $139,235 for the year ended May 31, 2018, an increase of $117,712. This increase is due to the expansion into the cryptocurrency mining services industry and the administrative infrastructure required to operate this

segment.

f) Property operating expenses increased from $156,272 for the year ended May 31, 2017 to $535,705 for the year ended May 31, 2018, an increase of 379,433. This increase in costs are associated with the utility expenditures relating to the Company's new digital currency mining facilities in Grant County.

g) Professional fees increased from $76,868 for the year ended May 31, 2017 to $234,511 for the year ended May 31, 2018, an increase of $157,643. This increase is due to the use of legal counsel to assist with the preparation and filing the regulatory documentation required for the Company's Fundamental Change as deemed by the CSE.

h) Promotion and advertising increased from $nil for the year ended May 31, 2017 to $917,501. This increase is due to the implementation of marketing and advertising initiatives to inform the industry and current and potential shareholders of its entry into the cryptocurrency industry.

i) Stock-based compensation for the year ended May 31, 2018 was $3,329,406 as compared to $nil in the prior comparable year. 4,175,000 stock options were granted in the current year to entice and retain key personnel for the acquisition and development of its digital currency mining facility. This is a non-cash expense which is attributable to the number of incentive stock options granted and vested during the year and the assumptions used for the Black-Scholes pricing model.

j) Transfer agent, listing and filing fees increased from $18,715 for the year ended May 31, 2017 to $241,602 for the year ended May 31, 2018, an increase of $222,887. This increase in costs is due to the fees associated to the two non-brokered private placement financings and the Fundamental Change application.

k) Travel, advertising and promotion for the year ended May 31, 2018 was $342,132 as compared to $5,496 for the year ended May 31, 2017, an increase of $336,636. This increase was attributable to the travel required to perform oversight of its digital currency mining facility and other potential acquisitions, joint ventures and the attendance of numerous digital currency conferences during the current year.

Overall, the Company's expenses increased significantly as compared to the comparable prior year mainly due to the granting of incentive stock options that were issued to entice and retain key personnel and the increase in consulting fees to whom were engaged to assist with the identification, due diligence, negotiations, and development of the Company's entry into the digital currency mining services industry and other costs typically associated with the start up of a new business.

1.5 Summary of Quarterly Results

	Q4 May 31, 2018 $	Q3 Feb. 28, 2018 $	Q2 Nov. 30, 2017 $	Q1 Aug. 31, 2017 $	Q4 May 31, 2017 $	Q3 Feb. 28, 2017 $	Q2 Nov. 30, 2016 $	Q1 Aug. 31, 2016 $
Total income	806,800	107,148	99,727	92,220	91,920	71,954	74,107	75,892
Operating expenses	360,727	103,605	35,733	35,640	37,248	44,270	28,297	46,457
Administrative expenses	896,085	1,723,796	393,172	118,138	75,851	132,243	111,024	159,658
Amortization	320,525	157,473	30,274	76,147	130,560	86,156	83,727	86,183
Stock-based compensation	(164,123)	2,041,634	1,451,895	-	-	-	-	-
Net loss before other items	606,414	3,919,360	1,811,347	137,705	112,177	190,715	148,941	216,406
Basic loss per share (1)	0.03	0.04	0.05	0.01	0.01	0.01	0.01	0.01

(1) Loss per share on a diluted basis is not disclosed as it is anti-dilutive due to losses incurred.

During the fourth quarter of fiscal 2018, the Company recorded $742,519 in bitcoin mined included in total income of $806,800. Property operating expenses associated with the increase in revenues was $360,727 and amortization of $320,525 was recorded on equipment used to earn income.

During the third quarter of fiscal 2018, the Company acquired (for accounting purposes) MKH Electric City Holdings LLC for entry into the cryptocurrency mining services business. The CSE deemed this acquisition to be a Fundamental Change in accordance to Exchange Policies which requires shareholder and Exchange approval. To finance this acquisition and for further upgrades and development, the Company completed two financings for gross proceeds of $17,000,000. Stock-based compensation of $2,041,634 was recognized in relation to the granting of 2,375,000 incentive stock options allowing it to entice and retain key personnel to acquire, develop and maintain its cryptocurrency operations.

During the second quarter of fiscal 2018, the Company granted 1,800,000 options to a director and consultants of the Company to acquire 1,800,000 common shares at an exercise price of $1.00 until November 29, 2022. Stock-based compensation of $1,337,401 was recognized in relation to this grant which is required to retain and entice key personnel. This is a non-cash expense. The Company also recorded $195,000 in consulting fees to assist with the identification, due diligence, negotiations and closing of the Company's entry into the digital currency mining services industry.

During the first quarter of fiscal 2018, the Company amortized $45,873 related to intangible assets which have now been fully amortized. This is a non-cash expense.

During the fourth quarter of 2017, the Company incurred $75,851 in administrative costs which included reclassifying financing costs expensed in the first quarter that were associated with the convertible debenture financing by decreasing the associated liability.

1.6 Liquidity and Capital Resources

At May 31, 2018, the Company had working capital of $8,469,525 (May 31, 2017 – $225,483). Cash held at May 31, 2018 was $7,977,883 compared with $223,623 at May 31, 2017.

During the year ended May 31, 2018, the Company experienced cash outflows of $2,823,281 (May 31, 2017 – $486,846) from operating activities. The Company advanced $607,557 to suppliers for the prepayment of expenses during the year ended May 31, 2018. The Company also increased accounts payable by $802,357 for services rendered but not paid.

Investing activities reduced cash by $6,098,508 (year ended May 31, 2017 – $79,690). These cash outflows were incurred for the purchase of property, plant and equipment required for its entry into cryptocurrency mining services industry.

During the year ended May 31, 2018, the Company issued 49,999,997 Special Warrants at $0.06 per Special Warrant, for proceeds of $3,000,000. The Company also completed a non-brokered private placement offering of 39,999,978 Units at a price of $0.35 per Unit for gross proceeds of $13,999,992. A cash finders' fee of $679,397 and legal fees of $71,649 was paid for completion of this financing. The Company also received proceeds from financing activities of $137,500 for the issuance of share capital as a result of the exercise of incentive stock options and $289,603 for the issuance of share capital as a result of the exercise of warrants compared to $nil proceeds received during the comparable year ended May 31, 2017. During the year ended May 31, 2017, the Company received gross proceeds of $1,023,000 for the convertible debenture financing and repaid $200,000 of short-term loans.

Overall, cash increased by $16,676,049 for the year ended May 31, 2018, as compared to an increase of $755,545 in the prior year ended May 31, 2017.

As at May 31, 2018, the Company has the following financial obligations:

	< 1 year	1 – 3 years	Total
	$	$	$
Accounts payable and accrued liabilities	897,112	-	897,112

As at May 31, 2018, the Company's subsidiary Atlas Cloud Enterprises (2013) Ltd is committed to a ten year operating lease for its 7,400 square foot office with an annual commitment of $123,840 until November 2024 with an option to renew for an additional ten year term. The Company is also committed to a co-location agreement with an industry partner with a minimum monthly commitment of $109,584 until July 2018 with an option to renew for an additional 24 months.

The GCDC retrofit is budgeted to cost USD$2,600,000, to date, over USD$2,000,000 has been advanced for electrical and other building upgrades. The facility upgrades will be funded by current working capital.

The Company has been dependent upon external financings to fund activities. In order to carry out planned and further capital expenditures and pay for administrative costs, the Company will spend its existing working capital and may seek to raise additional funds as needed.

During the year ended May 31, 2018, the Company recorded co-location and cloud services revenue of $207,451 as compared to $175,578 in the prior year. Software manufacturing rental facilities revenue was $186,096 as compared to $145,822 for the year ended May 31, 2017. Management will continue to develop its co-location and cloud services revenue stream. The Company's continued operations are dependent on its ability to generate positive cash flows or obtain additional financing.

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) Related party transactions with directors, former directors and companies with directors in common

	YEARS ENDED MAY 31,	
	2018	2017
	$	$
Consulting fees	**182,531**	-
Management fees	**31,750**	-
Professional fees	**-**	33,784

b) Key management compensation

	YEARS ENDED MAY 31,	
	2018	2017
	$	$
Management fees and short-term benefits	**175,857**	33,784
Share-based payments	**1,210,497**	-

c) Prepaid expenses - As of May 31, 2018, a company with a director in common was paid $5,250 (2017 - $nil) in advance for management fees.

d) Accounts payable - As of May 31, 2018, directors and companies with directors in common were owed $145,129 (May 31, 2017 - $2,196).

e) Interest – As of May 31, 2018, directors and companies with directors in common incurred interest on convertible debentures and loans of $1,066 (2017 – 2,055).

f) Office facilities and administrative services – As of May 31, 2018, the Company incurred $43,500 (2017 – $48,000) in office facilities and administrative services expenditures related to a director of the Company.

g) Property operating expenses – As of May 31, 2018, the Company incurred $43,500 (2017 – $48,000) in property operating expenses related to a director of the Company.

h) During the year ended May 31, 2017, a director of the Company purchased $20,000 convertible debentures. During the year ended May 31, 2018, the Company issued a total of 82,466 shares to a director of the Company at the deemed price of $0.25 per share to convert an aggregate principal amount of $20,000 plus accrued interest of $616 outstanding under its convertible debentures. As at May 31, 2018, $nil has been accrued and is included in accounts payable and accrued liabilities (2017 - $750) and $450 (2017 - $900) has been paid to the director during the year ended May 31, 2018.

1.9 Fourth Quarter

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

- The Company entered into the cryptocurrency mining services industry as it aims to become the low-cost producer of cryptocurrency mining. The Company acquired a facility currently undergoing preparations for use as a digital currency mining operation located in Electric City, WA.;
- Recorded $360,727 in property operating expenses in order to generate $806,800 in income;
- Due to the decline in the market value of servers and weakening prices of cryptocurrencies during the year ended May 31, 2018, an impairment loss of $1,000,000 was allocated to Bitcoin mining equipment, building and leasehold improvement based on their carrying amount.

Overall, fourth quarter expenses increased significantly due to the Company's entry into the cryptocurrency mining services industry.

1.10 Proposed Transactions

In the normal course of business, the Company evaluates property and business development acquisition transactions and, in some cases, makes proposals to acquire such prospects. These proposals, which are usually subject to Board, regulatory and, sometimes, shareholder approvals, may involve future payments, share issuances and property work commitments and/or financial obligations. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction.

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. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights. At the year end, management concluded that none of the Company's non-financial assets were impaired.

(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.

(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 (refer to discussion on revenue recognition in the Consolidated Financial Statements Note 4(iii)). 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(i) in the 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 Changes in Accounting Policies including Initial Adoption

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

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

(iii) IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined.

1.13 Financial Instruments and Risk Management

As at May 31, 2018, the Company's financial instruments are comprised of cash, accounts receivable, accounts payable and accrued liabilities. The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value 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 for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at May 31, 2018, the fair value of cash held by the Company was based on Level 1 of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a. *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 amounts receivable. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper. Credit risk is not concentrated with any particular customer. The Company's accounts receivable consist primarily of rent owing from co-location and co-working clients. A portion of accounts receivable is also made up of sales tax refundable from the government. In an effort to mitigate credit risk, management monitors its accounts receivable and it has been determined that $2,919 in bad debts needed to be recorded.

As at May 31, 2018 and 2017, the Company's aging of accounts receivables was as follows:

	Current	31 – 60 days	61 – 90 days	91 days +	Total
May 31, 2018	**$ 84,372**	**$ 6,909**	**$ -**	**$ 5,419**	**$ 96,700**
May 31, 2017	$ 21,642	$ 17,622	$ 9,793	$ 45,493	$ 94,550

b. *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. As at May 31, 2018, the Company had a cash balance of 7,977,883 (2017 - $223,623) to settle current liabilities of $897,112 (2017 - $97,025).

As at May 31, 2018, the Company has the following financial obligations:

	< 1 year	1 – 3 years	Total
Accounts payable and accrued liabilities	$ 897,112	$ -	$ 897,112

c. *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. Some of the Company's accounts payable and accrued liabilities are subject to interest on unpaid balances.

ii. Foreign currency risk

Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. As at May 31, 2018, a portion of the Company's financial assets are held in USD. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in Canadian dollars. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point in time. The Company is not exposed to any other material foreign currency risk.

iii Equity price risk

Equity price risk arises from market fluctuations in equity prices that could adversely affect the Company's operations. The Company's current exposure to equity price risk is limited to declines in the values and volumes including those of its own shares, which could impede its ability to raise additional funds when required.

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The financial position carrying amounts for cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and promissory notes payable approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy:

As at May 31, 2018, the Company's financial instruments are comprised of cash, accounts receivable, accounts payable and accrued liabilities. The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value 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 for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at May 31, 2018, the fair value of cash held by the Company was based on Level 1 of the fair value hierarchy.

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, 2016	**16,908,833**	**$ 1,938,801**
Expiry of finder's warrant for private placement	-	17,067
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	**114,944,923**	**$ 11,819,185**

During the year ended May 31, 2017, the Company recorded an increase in share capital of $17,067 for finder's warrants issued for a private placement that expired unexercised.

During the year ended May 31, 2018, the Company:

- Completed a non-brokered private placement of 39,999,978 units for gross proceeds of $13,999,992. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at $0.75 for two years. The warrants were valued at $5,519,304 using the Black Scholes option pricing model using the same assumptions as described below. A cash finders' fee of $679,397 was paid. The Company also issued 1,940,382 broker warrants exercisable at $0.75 for a period of two years from closing. The broker warrants were valued at $1,250,913 using the Black Scholes option pricing model using the following assumptions: dividend yield of $nil, a risk-free interest rate of 1.61%, annualized volatility of 116% and an expected life of two years. Total share issuance costs incurred in connection with above mentioned financing is $2,001,959 including $71,649 in legal costs.

- Issued 550,000 common shares for the exercise of 550,000 stock options at $0.25 per share for total proceeds of $137,500 which resulted in a transfer from equity reserves to share capital of $73,443.

- Issued 401,800 common shares for the exercise of 401,800 broker warrants at $0.15 per share for the total proceeds of $60,270 which resulted in a transfer from share-based payment reserve to share capital of $36,900.

- Issued 49,999,997 common shares for no additional consideration on the exercise of 49,999,997 Special Warrants, for proceeds of $3,000,000. The special warrants were previously issued during the year and were

convertible into one unit on the earlier of: four months and one day or the filing of a prospectus. Each special warrant consists of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at $0.08 for two years. The warrants were valued at $1,342,389 using the Black Scholes option pricing model using the following assumptions: dividend yield of $nil, a risk-free interest rate of 1.38%, annualized volatility of 106% and an expected life of two years.

- Issued 2,866,667 common shares for the exercise of 2,866,667 warrants at $0.08 per share for total proceeds of $229,333 which resulted in a transfer from share-based payment reserve to share capital of $76,965.

There has been no shares issued subsequent to May 31, 2018 to the date of this report.

Escrow Shares

The Company issued 5,000,000 common shares to acquire Atlas Cloud Enterprises (2013) Ltd. on July 23, 2014 which were subject to an escrow agreement pursuant to which 10% were released upon closing of the share exchange agreement, and an additional 15% were released every six months thereafter over a period of 36 months. As at May 31, 2018, there were nil shares remaining in escrow (2017 - 750,000).

Share Purchase Warrants

The Company may issue share purchase warrants to acquire its common shares either in combination with share offerings, or on a stand-alone basis to its consultants and advisors. The terms of warrants issued are determined by the Company's Board of Directors.

The continuity of warrants for the years ended May 31, 2018 and 2017 is summarized below:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, May 31, 2016	2,463,200	$0.25
Expired	(387,950)	0.25
Issued	401,800	0.15
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**

The following table summarizes the warrants outstanding and exercisable at May 31, 2018:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
41,521,218	$0.75	December 13, 2019
419,142	$0.75	December 15, 2019
47,133,330	$0.08	March 1, 2020
89,073,690		

As at May 31, 2018, the weighted average remaining contractual life of all warrants outstanding was 1.65 years (May 31, 2017 – 0.25 years).

Stock Options

The Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with Canadian Security Exchange (CSE) requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

In connection with the foregoing, the number of common shares reserved for issuance to any technical consultant will not exceed two percent of the issued and outstanding common shares in any twelve-month period. The number of common shares reserved for issuance to individuals providing investor relation services will not exceed two percent of the issued and outstanding common shares in any twelve-month period. Further, these options must vest over twelve months with a maximum of one quarter of the options vesting in any three-month period. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company, provided that if cessation of office, directorship or technical consulting arrangement by reason of death, the option may be exercised within a maximum period of one year after such death. Subject to the expiry date of such option.

During the year ended May 31, 2018, stock-based compensation in the amount of $3,329,406 (2017 - $nil) was recognized on the issuance and vesting of stock options to directors, officers and consultants.

The continuity of stock options for the years ended May 31, 2018 and 2017 is summarized below:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, May 31, 2016 and 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**

The following stock options were outstanding at May 31, 2018:

NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE
400,000	$0.25	September 5, 2024
1,800,000	$1.00	November 29, 2022
1,475,000	$1.00	December 13, 2022
500,000	$1.00	December 19, 2022
150,000	$1.06	January 3, 2023
250,000	$1.01	January 17, 2023
4,575,000		

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 May 31, 2018.

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 May 31, 2018 and have concluded that these controls and procedures are effective.

Subsequent Events

Subsequent to May 31, 2018, the Company announced:

- On June 14, 2018, the Company received conditional approval regarding its proposed change of business as previously announced January 2, 2018. The Company also announced the resignations of Matthew McKibbin, Chief Blockchain Officer, and Timothy Lewis, Chief Technology Officer, effective immediately.
- On June 19, 2018, the Company announced that it has received shareholder approval and subsequent authorization from the Canadian Securities Exchange allowing its change of business and resumption of trading effective June 19, 2018. The Company also announced Atlas Cloud's five-megawatt (5.0 MW) Grant County Data Centre has completed build-out and component renovations into a dedicated Bitcoin mining enterprise location.
- On June 22, 2018, the Company granted 6,125,000 incentive stock options under the Company's stock option plan to certain officers, directors, and consultants effective June 21, 2018. The Options are exercisable at a price of $0.40 for a period of 5 years from the date of grant.
- On July 24, 2018, the Company announced that it effected its continuation into the province of British Columbia on July 18, 2018 and will now effect a change of name to "Atlas Blockchain Group Inc." effective July 27, 2018. The Company's Canadian Securities Exchange ticker symbol did not change and remains "AKE".
- On September 7, 2018, the Company made the following statements regarding recent market activity concerning its common shares traded on the OTCQB marketplace. The Company only became aware of certain promotional activity on its securities on September 5, 2018 when it received correspondence from OTC Markets. The Company believes that the promotion may have had some impact on market activity, but certain macro events including the significant increase in the price of bitcoin may have also contributed to the recent stock increase and trading activity. To the Company's knowledge, neither the Company, its officers, directors, any controlling shareholders, or any third-party service providers have, directly, or indirectly, authorized or been involved in any way (including payment to a third party) with the creation or distribution of promotional materials that make any exaggerated or misleading claims about the Company or its securities.

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

In its efforts to increase shareholder value, management has determined that the best way to increase shareholder value is to enter into the blockchain sector and cryptocurrency mining while continuing to expand its co-location and cloud services business. However, if we are unable to achieve these objectives and we do not begin to produce any positive operating cash flow, the long term viability of the business may become in jeopardy.

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 number 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
September 27, 2018